



Agile or irrelevant

Redefining resilience

India CEO Outlook 2019

Foreword

We are pleased to present to you our fifth annual India CEO Outlook. This report is based on the views received from 125 CEOs in the country across industries, on their highest priority opportunities and challenges. Drawing corresponding insights from our Global CEO Outlook Report, it also assesses important global trends, issues and headwinds impacting CEOs in India.

Similar to their global counterparts, CEOs in India recognise that agility is the new currency of business. The fast pace of digital disruption, the constantly changing macroeconomic environment and most importantly the reducing average tenure of an organisation's top leadership, make agility imperative. They realise that if they fail to adapt, their business could become irrelevant. CEOs in India, in line with views expressed by CEOs globally, have identified

climate change, return to territorialism and emerging/disruptive technology risk, as the top three threats to their organisation's growth.

The social, economic and technological headwinds of the last few years are no longer a short-term phenomena. While CEOs in India continue to see interesting growth opportunities, they are set against a complex and turbulent business environment. They realise that for their businesses to be resilient, they have to be comfortable with disrupting their business models. Agility is therefore key. About 69 per cent CEOs in India, the same as CEOs globally, now have structures in place to review their business models and ensure they stay competitive in the face of disruption.

In line with the sentiments of CEOs globally, CEOs in India recognise that

they have to be ready to transform their leadership team to build resilience. Such transformation must comprehensively embrace all areas of the organisation, including technology and people. They also recognise that this can be made possible only with an organisation-wide digital reinvention, leveraging advanced technologies and upskilling the workforce.

To further this agenda, an overwhelming 88 per cent CEOs in India (and 85 per cent CEOs globally) have taken it upon themselves to personally lead the technology strategy of their companies. Furthermore, to generate new ideas and adapt to the rapid technological advancements, CEOs in India and globally are now fostering a culture within their organisation where employees feel empowered to innovate, without worrying about the negative consequences of failure.

Though the ongoing trade war between the United States and China, Brexit and other protectionist policies have made CEOs globally somewhat cautious towards the global economic outlook, the scenario is rather different in India. CEOs in India are confident about their organisations as well as India's growth prospects. Reflecting such confidence, a key finding from this year's survey is the shift of CEOs in India, towards expanding in developed markets over the next three years, compared to CEOs globally who are still continuing to prioritise emerging markets.

Technology continues to be a strategic priority for CEOs in India - as they still lag behind CEOs globally in the implementation of leading edge technologies. This year, however, CEOs in India are much more confident with their approach

and preparedness. About one in two of the surveyed CEOs in India confirmed that the investments they made in trying to personalise the customer experience have delivered the growth benefits they were hoping for, as against 41 per cent CEOs globally. Further, while 61 per cent CEOs globally are concerned about migrating all of their business data to the cloud, the percentage stood at just 47 per cent for CEOs in India.

A sincere thank you to all the CEOs who responded to our survey and shared their valuable insights with us. We would welcome the opportunity for further discussion on the topics of the report.



Arun M. Kumar

Chairman and CEO

KPMG in India

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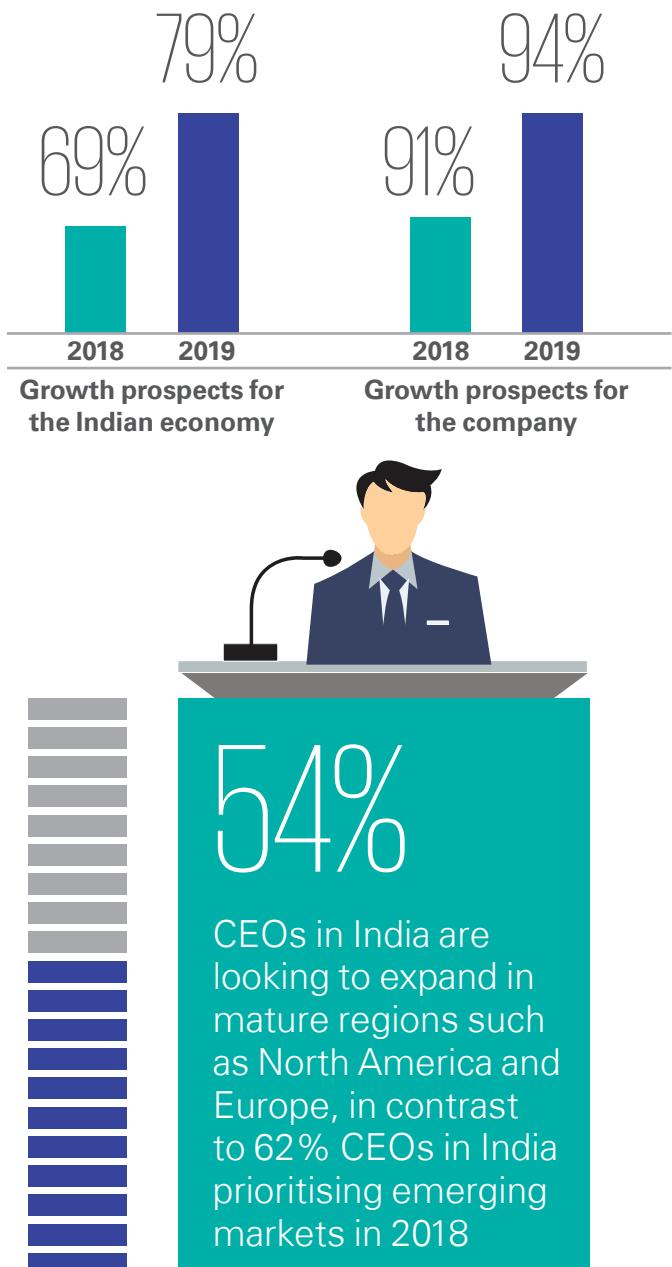
Uncharted Waters

In 2019's annual CEO Outlook, CEOs in India have continued to exhibit increased confidence in both their companies growth as well as the prevailing domestic macroeconomic environment. Furthermore, CEOs in India are now eyeing greater expansion opportunities in developed nations. All of this amidst some territorial disputes globally, especially Europe and America.

India today is among one of the fastest growing economies in the world. This is a sentiment that is also echoed by CEOs in India, who have confidence in the Indian economy (which has only gone up in the recent years). With India seeing a new government sworn in with a mandate until 2024, investor sentiment is high. This was demonstrated by the stock markets rallying and reacting positively, to the election results in May 2019.

Having said that, CEOs in India are not oblivious to the instability and turbulence in the global economy. Their confidence in the global economy's growth has dropped significantly over the next three years (only 53 per cent CEOs in India are confident about the growth prospects of the global economy, as against 89 per cent in 2018). To this effect, CEOs globally are continuing with their efforts to expand in emerging markets to become more resilient as a business.

Conversely, CEOs in India are exploring business opportunities to expand their presence in both emerging and developed countries. However, what is noteworthy is the focus that has always been on emerging countries, has now shifted to developed countries. This in part, is due to the opportunities emerging from the territorial politics that we are witnessing across the world as well as developed nations such as the United Kingdom opening its trade doors for India.



This drive towards expansion into western markets is also evident from the fact that 64 per cent CEOs in India said they are more likely to invest in the United Kingdom, post Brexit.

Within emerging markets too, CEOs in India seem to have shifted their priorities. They are now looking at opportunities in the Central/South American region, as opposed to the African region. While confidence of CEOs in India has increased from 28 per cent in 2018 to 40 per cent in 2019 in the Central/South American region, the confidence has dipped from 21 per cent to 7 per cent towards Africa in the past one year.

Additionally, CEOs in India have to understand and cope with an increasingly unpredictable and fast-changing array of risks. They have identified climate change (23 per cent), return to territorialism (17 per cent) and emerging/disruptive technology risk (17 per cent) as the top three threats to their organisation's growth for a second year in a row.

Factors such as the escalating U.S.-China trade war, Brexit and the ever increasing protectionist policies are today among the main contributors to this sentiment.

Moreover, the recent announcement of the U.S. ending its preferential trade status for India has only added to the problem.

CEOs are concerned about three factors related to 'return to territorialism'



The increasing adoption of emerging or disruptive technologies has meant that organisations cannot afford to ease up, as being inactive could disrupt them out of existence altogether.

It is pertinent to note that environment/climate change has emerged as the greatest threat to an organisation's growth in 2019 both globally as well as in India rising from the second rank in 2018. According to a World Bank report, rising temperatures and changing monsoon and rainfall patterns could cost India 2.8 per cent of its GDP and weaken living standards of nearly half the country's population by 2050.

Finally, as CEOs in India start to wade through these uncharted waters, they are recognising the importance of becoming part of the disruption, and being resilient and agile.

It is noteworthy that in 2018, only 31 per cent CEOs in India believed they were actively disrupting the sectors that they operated in, instead of waiting to be disrupted by competitors. This has more than doubled in 2019, showcasing the importance of being dynamic at any given point of time.

CEOs in India actively disrupting their respective sectors instead of being disrupted



Leading in uncertain times

To respond to the continuously changing and unpredictable environment, companies need to be agile to build a resilient enterprise. This means increasing the speed of innovation, being more customer centric and collaborating across organisational boundaries.

Fast-paced technological disruptions, changing customer preferences and shifting internal priorities will keep CEOs in India on their toes, thereby compelling them to institute and implement the four pillars for building an agile organisation i.e. innovation, cultural change, dynamic leadership and customer centricity.

73 per cent CEOs in India agree that the growth of the organisation relies on the company's ability to challenge and disrupt any business norm. With respect to this, Mergers & Acquisitions will play a key role in enabling organisations to respond to disruption with agility and gradually undertake business model innovation.

67%

CEOs in India agree that acting with agility is the new currency of business

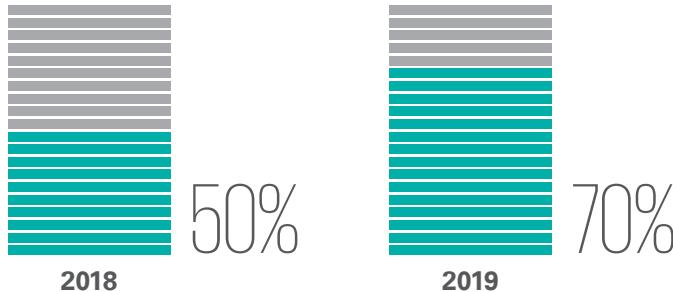
33%

CEOs in India (up from 18% in 2018) are likely to undertake acquisitions to transform their business model

Talking of innovation, CEOs in India do recognise the need to drive enterprise agility and capitalise on disruptions. Consequentially, 62 per cent CEOs in India (an increase of 8 per cent from 2018) intend to increase investment in disruption detection and innovation processes.

Apart from investment in innovation processes, organisations are also focusing on fostering a culture of innovation, with four in five CEOs in India (80 per cent) wanting their employees to feel empowered to innovate, without worrying about negative consequences.

An increasing number of CEOs in India believe that they need to improve their innovation processes and execution over the next three years



Having said that, CEOs in India are yet to instil such a culture in their companies as only a mere 45 per cent of them believe that their organisation does have a culture in which 'fast-failing' unsuccessful innovation initiatives are celebrated. Thus it is imperative for CEOs in India, to play an active role in developing and promoting an innovation strategy within the organisation. Therefore, companies must have the right leadership to be resilient. They also must focus on the alignment of front, middle and back-office functions, upskilling of workforce and integration of the existing IT infrastructure.

Also the constraints of legacy IT infrastructure and lack of collaboration across organisational silos, makes it more often than not impossible for organisations to be nimble and responsive to changes in their environment. To tackle this, CEOs in India need to ensure that a connected enterprise approach is followed throughout the organisation, which helps in meeting customer expectations and improving business performance. Over two-thirds CEOs in India are personally focusing on greater cross-functional alignment, to end uncoordinated efforts taking place within different silos.

85%

CEOs in India are actively transforming their leadership team to strengthen their resilience



77%

CEOs in India are working to ensure a strong connection between the front, middle and back-offices in a way that their predecessors did not



Changing from within

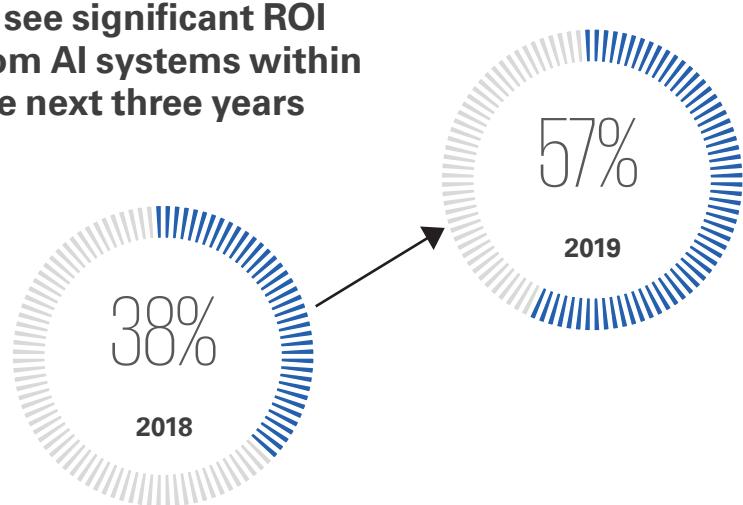
To master resilience and act with agility, CEOs in India need to drive change from within. Their foremost priorities must focus upon enhancing digital capabilities (both in terms of technology and workforce) and building cyber resilience.

CEOs in India are increasingly realising the importance of digital transformation and the underlying technologies required to implement it. They (92 per cent) expect significant return on investment (ROI) from their firm's overall digital transformation programme within the next three years, in line with views expressed by CEOs globally (92 per cent). Artificial intelligence (AI), cloud technologies and new digital capabilities (such as advanced data visualisation and ability to code) are some of the areas which interest CEOs in India.

There is a growing expectation among CEOs in India that the ROI from AI is going to be significant in the short-term, with none of the CEOs surveyed in India saying that they have not implemented any form of AI in the organisation. Having said that, only 4 per cent CEOs in India have implemented AI to automate processes, while close to 61 per cent have started limited implementation for specific processes.

As mentioned earlier, the connected enterprise approach, comprising alignment of office functions and integration of IT infrastructure, will come to become one of the top agendas for CEOs in India. Besides, CEOs in India do recognise the importance of cloud-based solutions for addressing issues concerning the fragmented digital infrastructure and transforming the way of working. Thus, one can safely conclude that CEOs in India (78 per cent) are much more confident of the increasing use of cloud technology than they have ever been in the last three years, and are less concerned about migrating all of their business data to the cloud.

20% jump in number of CEOs in India expecting to see significant ROI from AI systems within the next three years



Only
47%



CEOs in India are concerned about migrating all their business data to the cloud, as against 61% CEOs globally

As companies are gradually migrating towards adopting emerging technologies, the workforce too needs to be equally upskilled to tap into the maximum potential of these advancements and stay ahead of the curve. CEOs in India, understand this need with 51 per cent of them already planning to upskill more than half of their existing workforce with new digital capabilities (such as advanced data visualisation and ability to code) over the next three years.

This inclination towards a new 'Workforce 4.0' is evident from the capital investment being made towards the development of skills and capabilities. CEOs in India are recognising the workforce as an imperative tool to improve the overall organisational resilience. CEOs globally as well as in India, continue to believe that AI or robotic processes will create more jobs than eliminate, over the next three years. More than one-third (34 per cent CEOs in India) said modernising the workforce (adopting lean, intelligent automation and skills on demand) is the top strategy to ensure future readiness.

CEOs in India intend to upskill more than half of their current workforce with new digital capabilities

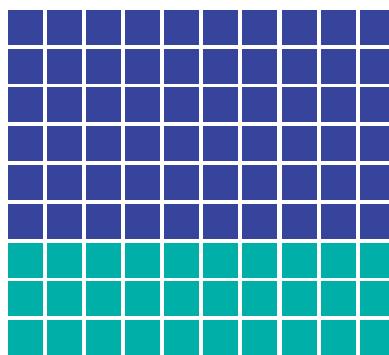


Amidst digital transformation, a majority of the CEOs (67 per cent) in India said that their organisation sees information security as a strategic function and a source of competitive advantage.

Moreover it comes as no surprise that the number of CEOs in India who identify themselves as being well prepared for cyberattacks have almost doubled in the past one year to 69 per cent. An increasing number of them also agree that becoming a

victim of a cyberattack is now a case of 'when', and not 'if' (increasing from 33 per cent in 2018 to 55 per cent in 2019).

CEOs in India (74 per cent) also believe that a strong cyber strategy is critical to engender trust with key stakeholders. Hence, they clearly see cybersecurity as more than just a defensive capability and a critical factor in becoming a dynamic and resilient organisation.



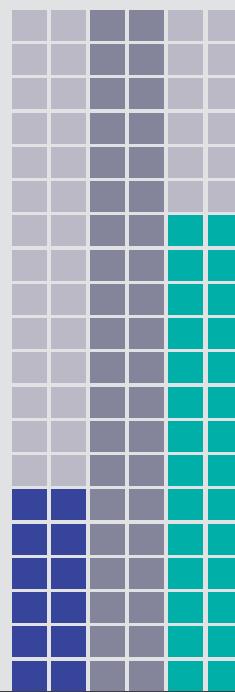
66%

CEOs place more capital investment in buying new technology

34%

CEOs place more capital investment in developing workforce skills and capabilities

CEOs in India with organisations 'well prepared' for a future cyberattack



36%

2018

69%

2019

The evolution of a CEO

Factors such as the changing macroeconomic environment, fast pace of technological innovations and the increasing competitiveness in the market , pose significant challenges for CEOs in India to meet the evolving customer expectations.

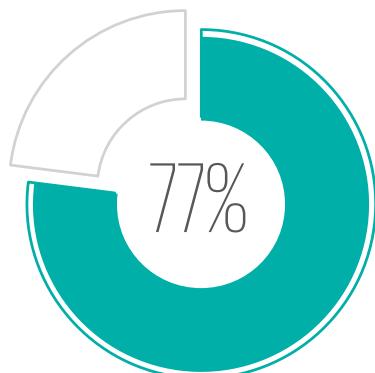
To overcome these obstacles, CEOs in India need to be agile and adapt to the evolving customer needs. They believe that in an uncertain climate a resilient business is one which protects itself (31 per cent), adapts (18 per cent) and disrupts (19 per cent). These attributes have become all the more important now, as a CEO's average tenure in India has reduced, even though the responsibilities have grown multifold. In 2019, more than two-thirds (74 per cent) expressed that the average tenure of a CEO in India is about five years, which is shorter than the tenure at the beginning of their career.

Considering the vast changes CEOs in India need to bring in and the limited time they have to make an impact, it is essential for them to learn from their failures in the past and fast track their actions.

In order to transform their business operations successfully, it is imperative for CEOs in India, to base their actions keeping customers at the centre.

65%

CEOs in India agree that at five years, the average tenure of a CEO increases the need to act with agility



CEOs in India said that they had a significant misstep early in their career, which they were able to overcome

In this ever-changing dynamic business environment, CEOs in India have all the more responsibility to be agile and respond quickly to the fast-changing business factors impacting long-term growth.

66%

CEOs in India believe that they could significantly improve their understanding of customers



These findings prove that CEOs in India must continue to work towards developing a personalised customer engagement strategy to be able to reap long-term benefits. In terms of return on investment made towards personalising customer experiences, only 29 per cent CEOs globally in 2018, said that such investments delivered the growth benefits that they had hoped for. However, this number has more than doubled to reach 47 per cent in 2019.

CEOs in India also identify protecting customers' data as an important responsibility (increasing from 46 to 71 per cent in the past one year) to gain customers' trust and loyalty. The increasing attacks on corporates — such as website intrusions, phishing, virus attacks, malicious code, data theft and misuse of personal information — in the recent years have adversely impacted customers' trust and loyalty towards the respective company or a brand. This is why an effective information security system is much more than a defensive or mitigating capability.

Furthermore, while CEOs in India rely on their own expertise and insights to provide customised solutions to their customers, they are also open to leveraging the findings from data-driven insights for customer needs, so as to bolster their decision-making. Consistent with CEOs globally, CEOs in India do have some reservations about the use of predictive analytics. Close to 74 per cent of them disregard data driven insights because they found those to be contrary to their own experience or intuition.

Interestingly, 89 per cent CEOs in India agree that data scientists are the most effective group of their workforce, among all other categories. With more advanced predictive analytic tools and technological innovations in the future, CEOs in India should be able to strike a good balance and combine data-driven analytics with their intuitions to identify new growth opportunities.

In summary

CEOs in India, today, face an increasingly uncertain, volatile and complex business environment. With rising concerns over the potential slowdown in the global economy, growing territorialism and risks pertaining to climate change, CEOs in India have taken it upon themselves to safeguard their organisation from external threats to become agile and resilient.

With strong macroeconomic fundamentals, India is at the cusp of a significant transformation. To tap into emerging opportunities, CEOs in India identify that it is imperative to bring in a change from within. It is essential, more than ever, to have a leadership team that promotes innovation, challenges traditional management practices and forges a stronger link with customers.

They realise that the future is digital, and there are no two ways about it. The digital ecosystem is bringing in a paradigm shift in the way customers interact with various businesses and vice versa. Disruptive technologies are providing CEOs in India, with powerful ways to bridge the gap between various office functions, bringing in digital transformation and significantly increasing their customer engagement. They also resonate well with the fact that the investment in technological advancements is only a battle half won if appropriate investments are not made in upskilling of workforce, in parallel.

Whether CEOs in India are able to harness digital disruption and build an agile organisation, or find themselves struggling to keep pace with the changing market dynamics (and slowly becoming irrelevant), will solely be defined by the actions they take now.

Methodology

This report has been put together basis the survey results of 125 CEOs in India who participated in a global survey conducted by KPMG International. The Global CEO Survey was conducted in 11 of the world's largest economies: Australia, China, France, Germany, India, Italy, Japan,

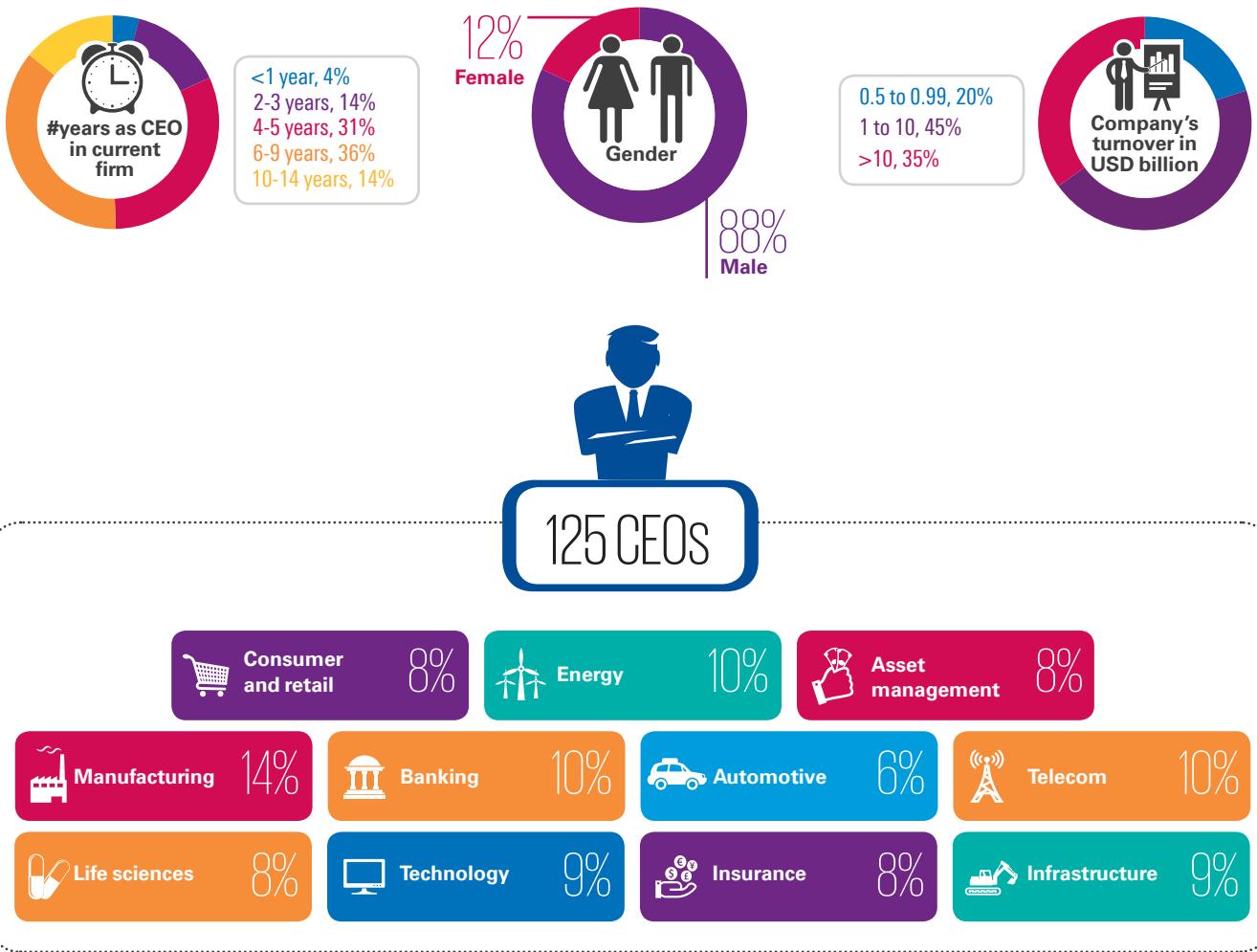
the Netherlands, Spain, the U.K. and the U.S., comprising 1,300 CEOs.

From India, CEOs from 11 key industries participated in the survey, namely, asset management, automotive, banking, consumer and retail, energy, infrastructure,

insurance, life sciences, manufacturing, technology and telecom.

The survey was conducted between 8 January and 20 February 2019. Forecasts made in this survey are for a three year period.

Participants' profile — Indian CEOs





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IN OUR ABILITY TO TRIUMPH OVER
ANYTHING IN OUR SPIRIT OF
UNDYING ENTHUSIASM OUR DRIVE
TO ACHIEVE THE EXTRAORDINARY
UNMOVED BY FEAR OR CONSTRAINT
WE'RE DRIVEN BY JOSH AND IT
SHOWS

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