

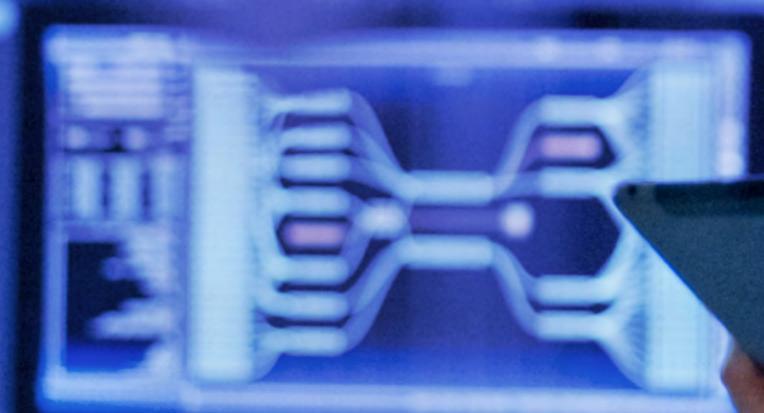


KPMG 2022 India CEO Outlook

Growth prospects in uncertain times

October 2022

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Treading positively amidst uncertainty

Unprecedented pressures in quick succession—a global pandemic, inflationary forces and geopolitical uncertainties have shaped the way CEOs globally as well as in India are responding to business opportunities and challenges. Whether it's the business ecosystem, or supply chain or issues pertaining to talent, the nature of these challenges has altered dramatically and what matters is how agile business leaders are to respond.

CEOs in India surveyed in our 2022 CEO Outlook appear confident in their organisation's resilience and are optimistic about growth prospects in the short-term.

As a mild recession looms over global growth, many CEOs across the world are already prepared with a deep focus on planning and agility. Interestingly, a much lower proportion of CEOs in India compared to their global counterparts, anticipate a recession in the next twelve months, which bodes well for India. These sentiments are indicative of India's strong macro-economic fundamentals, backed by a stable policy regime and a captive demand.

Our results show that emerging/disruptive technology remains a top concern for CEOs in India both in the short-term and long-term. However, most of them appreciate the indispensable benefits of technology, and our results indicate that CEOs in India are planning enhanced capital investments in advancing digitalisation and connectivity across the business, with a focus on partnerships and preparedness.

With the increasing pace of change and transformation, CEOs in India have accepted and adapted to the current needs of the modern workforce. Demonstrating openness towards hybrid work, CEOs in India are positive about its impact on their organisation and future.

It is indeed, heartening to note that CEOs in India are looking to increase measurement and governance to build a more robust and transparent approach towards driving a long-term ESG agenda.

CEOs in India, as well as globally, see opportunity even in these uncertain times, brought on by the promise of technology, talent and ESG, a belief we certainly share with these leaders.



Yezdi Nagporewalla
Chief Executive Officer
KPMG in India

Four key themes emerge from this year's India CEO Outlook:

Economic outlook

CEOs in India are ready and prepared to weather any geopolitical and economic challenges.

Optimism in growth remains

Despite geopolitical and economic challenges, confidence of CEOs in India in the growth of the global economy over the next three years, has marginally increased from February 2022, rising to 57 per cent.

Preparing for an anticipated recession

66 per cent CEOs in India compared to 86 per cent CEOs globally believe there will be a recession over the next 12 months but 58 per cent CEOs in India (same as global) feel it will be mild and short with 55 per cent CEOs in India having plans in place to deal with it.

Managing geopolitics

Geopolitical uncertainties will continue to impact strategies, with 75 per cent CEOs in India compared to 81 per cent CEOs globally adjusting or planning to adjust their risk management procedures.

Technology

CEOs in India are directing digital investment to areas of their business that drive growth, with an emphasis on partnerships and preparedness.

Emerging tech is top growth risk

Disruptive technology has emerged as the number one risk to organisational growth.

Bringing people and technology together

72 per cent CEOs in India compared to 56 per cent CEOs globally are placing more capital investment in buying new technology.

Cyber security as a strategic function

The cyber environment is evolving quickly-66 per cent CEOs in India compared to 77 per cent CEOs globally see information security as a strategic function and a potential source of competitive advantage.

Talent

CEOs in India are changing how they support and attract talent, and their efforts are buoyed by a focus on their people and experimenting with ways of working.

Talent as a top operational priority

In the long term, employee value proposition to attract and retain the necessary talent is a top operational priority to achieving the three-year growth objectives.

Anticipated recession driving talent freezes

In the short-term, 33 per cent CEOs in India compared to 39 per cent CEOs globally have already implemented a hiring freeze, and 47 per cent CEOs in India are considering downsizing their employee base over the next six months.

Fostering a spirit of experimentation

Hybrid working has had a positive impact on hiring, collaboration and productivity, with 65 per cent of CEOs in India as well as globally seeing in-office as the go-to-office environment over the next three years.

ESG

CEOs in India are balancing the need to build resilient and transparent ESG plans with the possibility of having to pause or reconsider their approaches.

Accelerating ESG expectations

34 per cent CEOs in India agree that Environmental, Social and Governance (ESG) programmes improve financial performance, up from 32 per cent in August 2021.

ESG impact on supply chains

CEOs in India increasingly see reporting and transparency as important to their ESG goals-and this includes insight into their broader supply chain.

Diversity ramping up progress

Businesses in India are seeing a major focus put on the social aspect of ESG. 58 per cent CEOs in India believe that progress on Inclusion, Diversity and Equity (IDE) has moved too slowly in the business world, and 71 per cent CEOs in India in line with CEOs globally believe scrutiny of IDE performance will continue to increase over the next three years.

Economic outlook

Growth remains and resilient to bounce back

The KPMG 2022 CEO Outlook surveyed CEOs globally as well as in India on their three-year outlook on the business and economic landscapes. Despite geopolitical and economic challenges, the confidence of CEOs in India in the global economy has marginally increased to 57 per cent higher from

February 2022 (52 per cent). As companies in India navigate the post pandemic landscape, 82 per cent CEOs in India are confident in the resilience of the global economy in the short-term, while long-term growth outlook is yet to bounce back.

Even though CEOs in India see a decline in growth prospects when it comes to company and country, they seem resilient enough to bounce back in the short-term.

Table 1: Confidence levels in growth prospects

February 2022 and August 2022	Global (February 2022)	Global (August 2022)	India (February 2022)	India (August 2022)
Growth prospects for your company	85%	85%	88%	72%
Growth prospects for your country	79%	85%	80%	72%
Growth prospects for the global economy	60%	71%	52%	57%

Source: KPMG 2022 CEO Outlook

Table 2: Confidence levels in resilience

February 2022 and August 2022	Global (August 2022)	India (August 2022)
Confidence in the resilience of your company	79%	75%
Confidence in the resilience of your country	76%	82%
Confidence in the resilience of global economy	73%	82%

Source: KPMG 2022 CEO Outlook

CEOs in India anticipate a recession-but they are prepared

Untouched by recession worries, 66 per cent CEOs in India, a much lower proportion as compared to 86 per cent CEOs globally, anticipate a recession in the next 12 months. As a result of the above, only 55 per cent of CEOs in India compared to 76 per cent CEOs globally, are expecting and have planned for a recession. At the same time, 58 per cent CEOs in India same as their global counterparts feel that the recession will be mild and short.

When asked about their confidence in the resilience of the global economy over the next six months, **82 per cent CEOs in India were positive-up 42 percentage points from February 2022.**

In alignment with CEOs globally, the long-term factors impacting CEOs in India include digital transformation, interconnectedness of issues and post pandemic resilience. While CEOs in India may be resilient, they are also realistic about the challenges ahead. 62 per cent CEOs in India compared to 73 per cent CEOs globally believe a recession will upend anticipated growth over the next three years. A much lower proportion of CEOs in India at 56 per cent compared to 75 per cent CEOs

86%

CEOs globally believe there will be a recession in the next 12 months

Global (August 2022)

globally believe a recession will make post-pandemic recovery harder. 86 per cent CEOs in India compared to 71 per cent CEOs globally predict a recession will impact company earnings by up to 10 per cent over the next 12 months.

Compared to 2019 and 2020, CEOs in India as well as globally are better prepared to weather short-term challenges with resiliency measures in place to manage impacts while still anticipating long-term growth.

The top three steps include: reducing profit margins and managing costs (40 per cent), boosting productivity and diversifying their supply chain (34 per cent) and implementing a hiring freeze (33 per cent).

It is interesting to note that CEOs in India are comparatively less worried, when it comes to concerns around recession and its various aspects that could impact their business.

Top risks looking forward

Pandemic fatigue, economic factors, including the threat of rising interest rates, inflation and anticipated recession and reputational risk, top the list of most pressing concerns for CEOs in India

66%

CEOs in India believe there will be a recession in the next 12 months

India (August 2022)

today. As we look to the next three years, risks are more interconnected than ever. Emerging/disruptive technology (not seen in the top five in August 2021) rises in rank as the top risk and the greatest threat to organisational growth.

Risks to growth over the next three years for CEOs in India

- 1 Emerging/disruptive technology
- 2 Return to territorialism and supply chain
- 3 Regulatory risk
- 4 Environmental and climate change
- 5 Interest rates

Source: KPMG 2022 CEO Outlook

Managing geopolitical risk

Organic growth, strategic alliances and managing geopolitical risks top the list of the most important strategies for achieving organisational growth objectives over the next three years.

CEOs in India indicate that geopolitical uncertainties will continue to impact their strategies and supply chains over the next three years. In fact, 75 per cent CEOs in India compared to 81 per cent CEOs globally have adjusted or plan to adjust their risk management procedures considering geopolitical risk, and 21 per cent CEOs in India compared to 20 per cent CEOs globally will be increasing measures to adapt to geopolitical issues to achieve their growth objectives.

With geopolitics being a key agenda item in 2022, CEOs in India need to be knowledgeable on the subject and how to navigate the risks. It's important to make a geopolitical risk assessment part of their overall strategy.

“

The pandemic and the events in Europe have shown us how interconnected we are as a world. To me, geopolitical issues are the number one risk. I think we all need to build optimised and resilient supply chains.

”

TV Narendran

Chief Executive Officer and Managing Director
Tata Steel

Strategies important for achieving growth objectives over the next three years

Organic growth (i.e. innovation, R&D, capital investments, new products and recruitment)

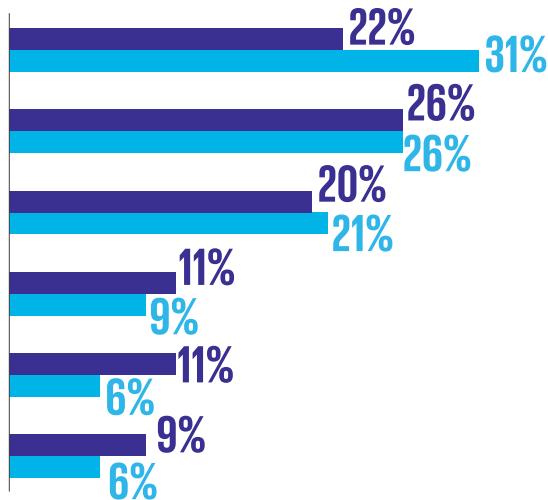
Strategic alliances with third parties

Managing geopolitical risks

M&A

Joint venture

Outsourcing



■ Global (August 2022) ■ India (August 2022)

Source: KPMG 2022 CEO Outlook



One of the key learnings from the last year for TV Narendran, CEO of Tata Steel, has been the importance of building supply chain resilience, brought to the forefront of the business agenda following the pandemic and geopolitical uncertainties. “The pandemic and the events in Europe have shown us how interconnected we are as a world,” he says. “To me, geopolitical issues are the number one risk. We all need to build optimised and resilient supply chains.” Although a resilient supply chain may not be

the most cost efficient, he believes disruption and change can bring opportunity. “There are opportunities to rethink business models and operating models, as well as build the necessary green infrastructure.”

Increasing M&A appetite

Over the next three years, M&A appetite of CEOs in India remains high, despite economic concerns. 42 per cent of CEOs in India have high appetite compared to 47 per cent CEOs globally, although

the percentage for India has dipped from 55 per cent in August 2021. 43 per cent CEOs in India compared to 38 per cent CEOs globally have a moderate appetite for M&As. Here again, we see a significant shift from 34 per cent in February 2022 for India. With higher interest rates and borrowing costs, rapid innovation will be key to stay competitive. Deal makers may be taking a much sharper pencil to the numbers and focus on value creation to unlock and track deal value, every step of the way.



Digital transformation in uncertainty

Emerging technology / disruptive technology lands as top growth risk

Emerging technology / disruptive technology has emerged as the top risk and the greatest threat to organisational growth for CEOs in India as well as globally over the next three years. At the same time, pandemic fatigue or continued uncertainty/ restrictions, reputational risk-including misalignment with customer/public sentiment, and economic factors like rising interest rates, inflation and anticipated recession-are pressing concerns for organisations in India today.

In the face of these risks and concerns, CEOs in India continue to prioritise digital investment- with 61 per cent CEOs in India compared to 72 per cent CEOs globally agreeing they have an aggressive digital investment strategy, intended to secure first-mover or fast-follower status.

Sterlite Technologies Limited (STL), Managing Director, Ankit Agarwal, believes "Organisations with robust digital infrastructure are better poised to handle near and long-term challenges. This distinction became clear when COVID-19 lockdowns began. Companies like ours were fully ready for remote-working and digitally enabled business continuity. Digital transformation is

the greatest leveller for technology, talent, and sustainability for MSMEs and India Inc".

Furthermore, employee value proposition to attract and retain the necessary talent has emerged as the top operational priority for CEOs in India to achieve growth over the next three years. Inflation proofing capital and input costs and advancing digitalisation and connectivity across the business came in a second and third respectively.

This focus on digital transformation may be driven by increasingly flexible working arrangements and heightened awareness of cyber security threats, exacerbated by geopolitical uncertainty.



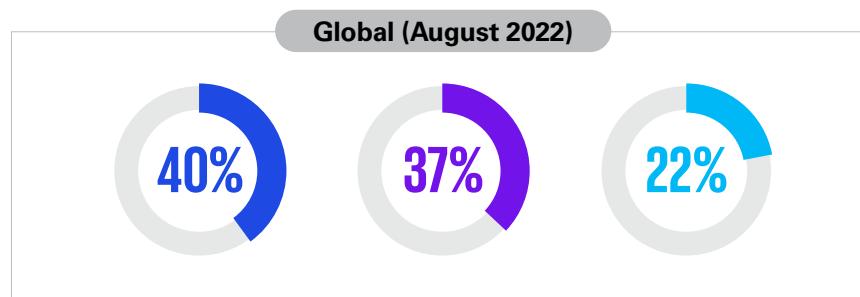
“
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Ankit Agarwal
Managing Director, Sterlite Technologies Limited (STL)

Staying on the right track

The anticipated recession may be pushing businesses to reconsider their strategies. 50 per cent CEOs in India compared to 37 per cent CEOs globally plan to pause or reduce their digital transformation strategy in the next six months to prepare for an anticipated recession. 28 per cent CEOs in India compared to 40 per cent CEOs globally have already paused or reduced their digital transformation strategies. Though a considerably small percentage, 48 per cent CEOs in India compared to a much larger percentage of CEOs globally at 70 per cent say they need to be quicker to shift investment to digital opportunities and divest in those areas where they face digital obsolescence.

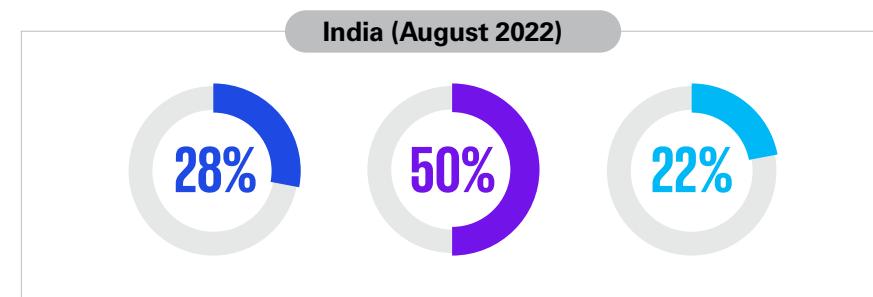
Have CEOs taken steps to pause or reduce digital transformation strategies to prepare for an anticipated recession?



● Have taken

● Plan to take in the next 6 months

● No action planned



● Have taken

● Plan to take in the next 6 months

● No action planned

Source: KPMG 2022 CEO Outlook

Source: KPMG 2022 CEO Outlook

India where 52 per cent CEOs in India prioritised technology investments.

As businesses have implemented their digital tools, their attention has shifted to adoption, engagement and change management in order to support their people working in a very different world. To drive their growth, CEOs in India may be looking to make their existing people more productive through transformation. To this effect, 64 per cent of CEOs in India compared to 72 per cent CEOs globally say they need to address burnout from accelerated digital transformation over the past two years before continuing on their transformation journey.

Building successful partnerships

Few organisations can succeed on their own. Businesses rely on their ecosystems as building successful partnerships can help a company deliver a competitive edge. Increasingly, CEOs in India as well as globally view partnerships as an important means to continue the pace of their

digital transformation (58 per cent CEOs in India compared to 50 per cent in February 2022). CEOs in India also see building strategic alliances with third parties as a key strategy to help them realise their growth objectives over the next three years. It has become more important for businesses to partner

with companies (e.g. start-ups, fintech and more) that can help them, bringing agility and resilience to growth. To bring everything together, and drive a successful transformation, CEOs in India need the right partners-and the ability to connect it all.



Cyber security as a strategic function

While other risks may now feature as top concerns for CEOs in India as well as globally, the cyber environment is evolving quickly, and 66 per cent CEOs in India compared to 77 per cent CEOs globally see information security as a strategic function and a potential competitive advantage. Geopolitical uncertainty is increasing worries over corporate cyber attacks for as many as 73 per cent CEOs globally. In comparison only 54 per cent CEOs in India view this as a concern. But that is not to say they are not taking precautions. In fact, 60 per cent CEOs in India compared to 76 per cent CEOs globally say that protecting their partner ecosystem and supply chain is just as important as building their own organisation's cyber defences. In India, 70 per cent CEOs compared to 78 per cent CEOs globally view cyber strategy as critical to engender trust with their key stakeholders.

Growing experience of the challenges of cyber security is also giving CEOs a clearer picture of how prepared-or underprepared they may be. More CEOs in India recognise they are underprepared for a cyber attack, with 19 per cent admitting so in August 2022, compared to 10 per cent in August 2021. This year, 56 per cent CEOs in India say they're prepared, almost about level with last year. And nearly 54 per cent CEOs in India say their organisation has a plan in place to deal with a ransomware attack, compared to 64 per cent in August 2021.

The difficulty of detecting attacks on time and the increasing cyber security risk we could witness in the coming years, calls for automation and innovation in dealing with cyber incidents.

Akhilesh Tuteja, Global Cyber Security Practice Leader and Head of Technology, Media and Telecommunications, KPMG in India acknowledges that cyber security risks will increase as companies grow their digital capabilities. "While cyber security has remained a key risk area for several years, its relevance in the business world has never been more significant. But, perhaps the most striking outcome of extreme digitalisation is the realisation and acceptance of cyber as a real business issue. In this new world, cyber security becomes more personal. Not just for staff but also for senior executives whose world has changed and who are also perhaps more conscious than ever of the fragility of their digital infrastructure, both from work and personal perspectives."

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Akhilesh Tuteja

Global Cyber Security Practice Leader and Head of Technology, Media and Telecommunications, KPMG in India

Fostering workforce resilience

Talent a top operational priority

How CEOs support and attract talent is changing because of the challenging economic situation and CEOs' growth goals. CEOs in India recognise employee-driven business transformation. The employee value proposition to attract and retain the necessary talent is the top operational priority for CEOs in India towards achieving their three-year growth objectives (28 per cent, up from 21 per cent in August 2021 for CEOs in India). Globally these numbers stand at (25 per cent, up from 19 per cent in August 2021).

In addition, 62 per cent CEOs in India compared to 71 per cent CEOs globally agree that the ability to retain talent with the pressures of inflation/rising cost of living are top of mind, as are the long-term impacts to organisations from the pandemic and geopolitical tensions.

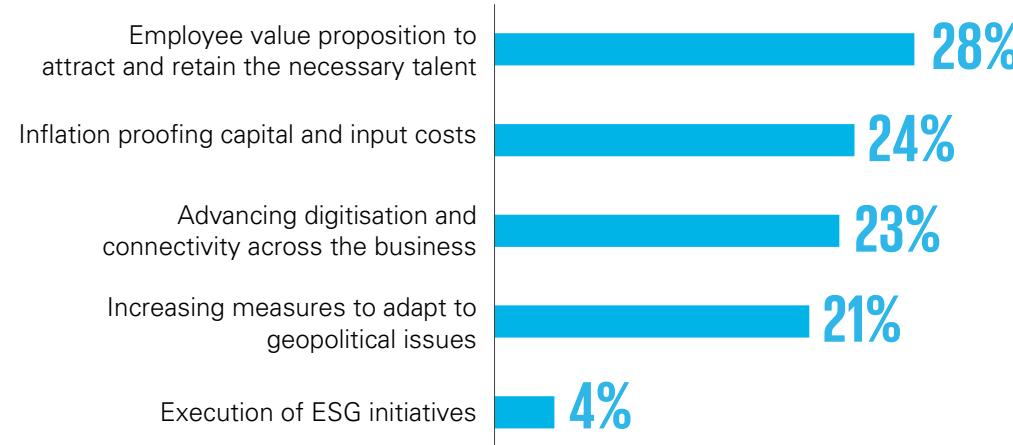
A business's (ESG) approach is increasingly seen as a differentiator when it comes to attracting and retaining talent. Of the CEOs that mentioned they were seeing significant demand for greater ESG transparency and reporting, 26 per cent CEOs in India as well as globally noted the

biggest demand was coming from employees and new hires. CEOs in India also note that one of the primary downsides to not meeting ESG expectations were recruitment challenges (26 per cent CEOs in India), right behind the ability to raise financing (28 per cent CEOs in India).

Sunit Sinha, Partner and Head, People, Performance and Culture, KPMG in India says, "Having the right people with the best skills is integral to any organisation's vision and strategy

for the future. The question organisations need to ask today is-How can we continue to be inclusive and sensitive for everyone? Over the last two years, employees are expecting a flexible and dynamic approach towards benefits, learning and engagement. CEOs surveyed in India demonstrate an openness to work flexibly. Many also consider brand building through internal engagement a key imperative over the next three years".

Top operational priorities for CEOs in India to achieve growth objectives over the next three years



Source: KPMG 2022 CEO Outlook

Anticipated recession driving talent freezes

With an anticipated recession looming, there is a significant short-term emphasis on hiring freezes and headcount reductions: 33 per cent CEOs in India; 39 per cent globally have already implemented a hiring freeze, and 47 per cent CEOs in India compared to 46 per cent CEOs globally are considering downsizing their workforce over the next six months. But when CEOs take a longer-term view, 79 per cent CEOs in India and globally expect their organisation's headcount to increase over the next three years, and CEOs are still investing in their existing workforce, with 34 per cent CEOs in India compared to 50 per cent CEOs globally focused on boosting productivity.

Preparing for an anticipated recession



Source: KPMG 2022 CEO Outlook

Fostering a spirit of experimentation

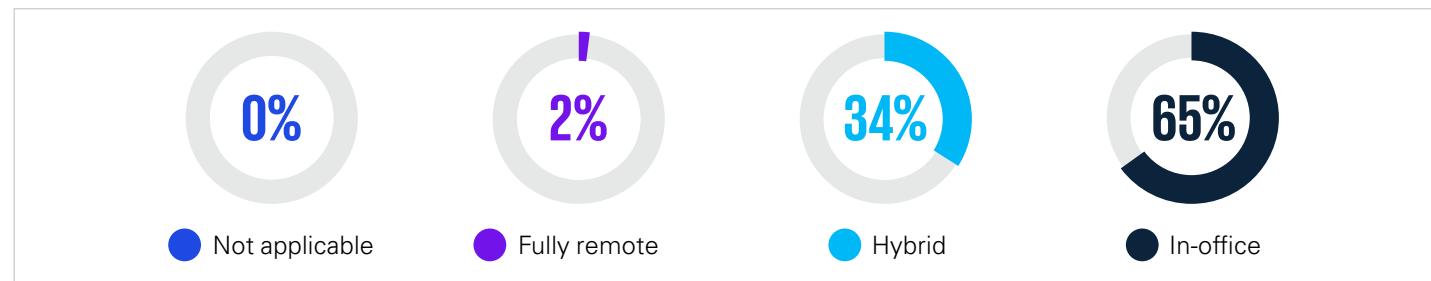
Hybrid working has had a positive impact on hiring, collaboration and productivity over the past two years. However, many organisations in India are launching return-to-office plans to usher in a 'return to normal', and 65 per cent CEOs in India as well as globally envision in-office as the go-to-office environment in three years' time. The below chart shows how CEOs in India envision their working environment over the next three years.

Employee expectations, when it comes to hybrid work are evolving, so it's important for CEOs in India or globally to develop better working structures that suit their people in what is still an emerging area.

Even if the supply-demand side of labour shifts in favour of businesses (giving managers more scope to insist on being in office), CEOs across the spectrum in India or globally need to make

sure their people have purposeful interactions. How do CEOs define what an optimal structure looks like? Now is the time to experiment and see what works best. Active listening, empathetic communications and a commitment to finding the right balance over the long term will be key.

Ideal working environment CEOs in India envision over the next three years



Source: KPMG 2022 CEO Outlook

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Over the last two years, employees are expecting a flexible and dynamic approach towards benefits, learning and engagement. CEOs surveyed in India demonstrate an openness to work flexibly. Many also consider brand building through internal engagement a key imperative over the next three years.”

Sunit Sinha

Partner and Head, People, Performance and Culture, KPMG in India

Nuanced approach to ESG

Accelerating ESG expectations

CEOs in India as well as globally view the importance of ESG initiatives on their businesses, especially when questioned about ESG's impact on improving financial performance, driving growth and meeting stakeholder expectations. And this year's survey shows a marked jump in demand from stakeholders, such as customers and investors, for increased transparency.

34 per cent CEOs in India agree that ESG programmes improve financial performance compared to 32 per cent in August 2021. When asked where CEOs in India see corporate purpose having the greatest impact over the next three years, building brand reputation sits in the top spot with 78 per cent. CEOs, both global and India, increasingly understand that businesses embracing ESG are best able to secure talent, strengthen employee value proposition, attract loyal customers and raise capital. ESG has gone from a nice-to-have to integral to long-term financial success.

- **77 per cent** CEOs in India see stakeholder demand for increased reporting and transparency on ESG issues. This is up a significant extent (up from 42 per cent in August 2021)
- **62 per cent** CEOs in India believe stakeholder scrutiny on ESG will continue to accelerate. (up from 59 per cent in August 2021)
- **55 per cent** CEOs in India compared to 71 per cent CEOs globally believe the public is looking to businesses to fill the void on societal challenges, such as inclusion, diversity, equity, climate change or social justice.

The biggest challenges for CEOs in India are pressing global economic matters when it comes to delivering their ESG strategies. 15 per cent CEOs in India (up from 6 per cent in August 2021) say there is lack of an accepted global framework for measuring and disclosing ESG performance.

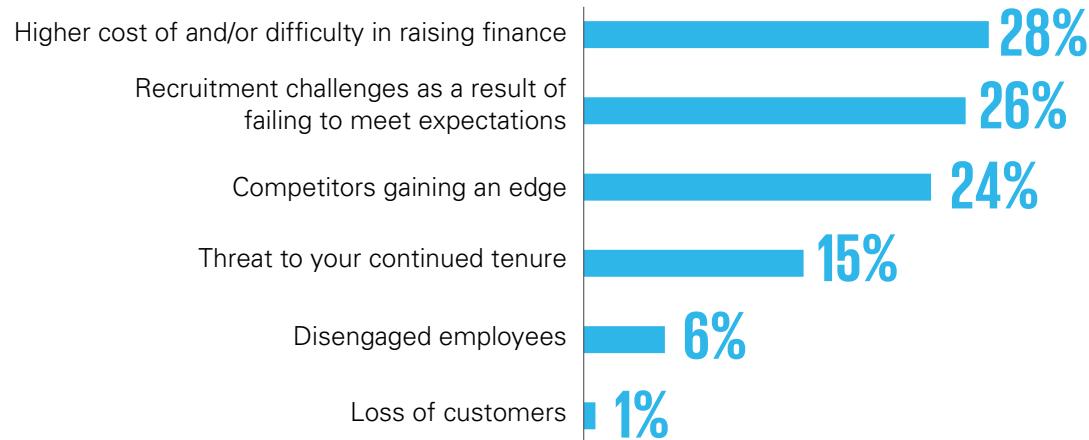
While regulation concerns remain high, this may highlight how governments and regulators need to work together to align around ESG requirements.

- **Investments are forthcoming:** 59 per cent CEOs in India say they will be looking to invest at least 6 per cent of revenue in programmes that enable their organisation to become more sustainable.

- **Key drivers:** CEOs in India find it difficult to pick just one key driver when it comes to accelerating their companies' ESG strategies: proactivity on social issues (31 per cent), more transparency (28 per cent), inclusion, diversity, and equity (IDE) strategy (27 per cent) and net-zero strategy (14 per cent). This shows there is a growing consensus that they all matter.

- **Articulating their story:** The biggest challenge for CEOs in India in communicating their ESG performance to stakeholders, is the struggle to articulate a compelling ESG story, which half of them (50 per cent) say their organisations face (steady at 50 per cent from August 2021).

The downside of failing to meet ESG expectations for CEOs in India



Source: KPMG 2022 CEO Outlook

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Today, stakeholders are expecting relevant and accurate data and it is imperative for companies to treat ESG disclosures with the same attention and care as financial disclosures and ensure governance around data measurement, analysis and reporting. While leading Indian companies have actively started disclosing their ESG performance, they now need to direct their efforts towards overcoming challenges (as many of them point out in our survey), particularly articulating a compelling ESG story to stakeholders. Doing so will help them to effectively showcase their commitment towards the overall sustainability agenda.”

Shivananda Shetty

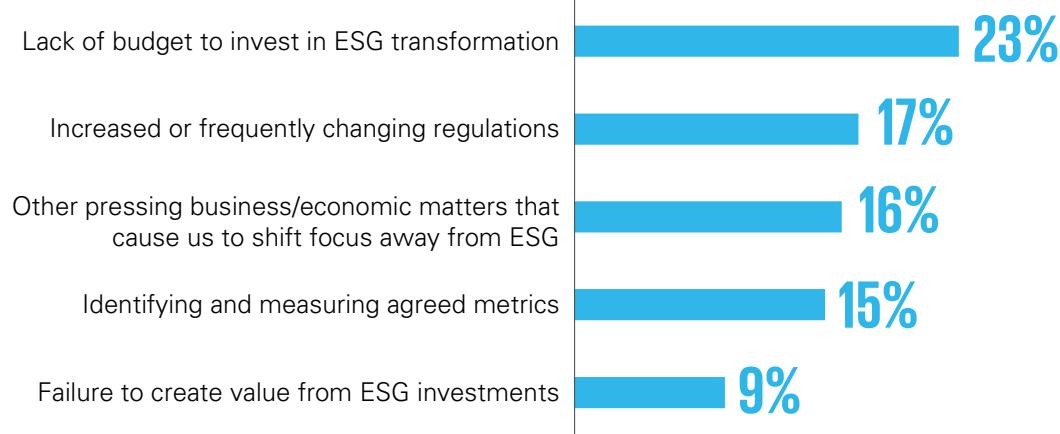
Partner and Practice Lead, ESG, KPMG in India

A likely recession's impact on ESG

As CEOs strive to maintain optimism and take steps to insulate their businesses from a likely upcoming recession, indicators point to ESG progress suffering slightly as a result, following a trend of both CEOs in India and globally reassessing initiatives in many areas of the business (e.g. transformation and staffing).

ESG has become an intrinsic business imperative. Delaying key ESG efforts could make businesses more reactive in the future rather than help them lead the way with greater transparency, resilience and sustainability.

Top five challenges for CEOs in India in delivering their ESG strategy over the next three years



Source: KPMG 2022 CEO Outlook

74%

CEOs in India agree achieving gender equality in their C-suite will help them meet their growth ambitions

57%

CEOs in India agree their organisation's digital and ESG strategic investments are inextricably linked to growth

The ESG shadow cast by the supply chain

It is critical for CEOs to understand how sustainable their entire business really is. CEOs in India increasingly see reporting and transparency as important to their ESG goals-and this includes insight into their broader supply chain. Our survey shows that nearly half the CEOs in India (48 per cent) and CEOs globally (47 per cent) plan to diversify their supply chains in the next six months in response to geopolitical challenges.

What's more, the number one strategy CEOs in India as well as CEOs globally are considering to mitigate supply chain issues is to monitor deeper into their supply chain (i.e. at the third and fourth levels) to better anticipate problems. Why? Because the environmental, sustainability and human rights practices of their partners and suppliers may impact their business and reputation.

Among the many challenges, 27 per cent CEOs in India compared to 28 per cent globally see

decarbonising the supply chain as a significant challenge for companies looking to achieve net zero. Supply chain leaders globally as well as in India are starting to double down on investing in technology-including real-time, end-to-end analytics-to improve visibility across the entire value chain. This will help them have a more accurate understanding of how products and materials flow through the network and where issues are in the supply chain, so they can move from mere strategic intent to real tangible outcomes.

Anish De, Global Head for Energy, Natural Resources and Chemicals (ENRC), KPMG says, "It is imperative that all corporates work on transforming their operations with sustainability as the focus. For this, apart from their own operations, addressing Scope 3 supply chain emissions has to be a key CEO responsibility and priority. CEOs globally and in India would be well positioned to

influence their internal organisations and also supplier behaviour and operations through the right policies and incentives. Add the power of digital technology, and companies can reimagine their supply chains radically for benefits to business and the planet".

CEOs in India are also making the link to digital transformation: 57 per cent CEOs in India say their organisations' digital and ESG strategic investments are inextricably linked.

With CEOs, both India and global being increasingly accountable to their supply chains and reporting to broader stakeholders, their success is dependent on their digital systems. Where does the business source their raw materials? Do they know their suppliers' human rights records? These questions mean there is an increasing need to focus more broadly on ESG-and into all the shadows cast by the organisation.

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Anish De

Global Head for Energy, Natural Resources and Chemicals (ENRC), KPMG

Diversity ramping up progress

Businesses in India are seeing a major focus put on the social aspect of ESG. While there's broad alignment on IDE, there is growing concern around the pace of progress. 58 per cent CEOs in India believe that progress on IDE has moved too slowly in the business world. (up from 26 per cent in February 2022) and 71 per cent CEOs in India believe scrutiny of IDE performance will continue to increase over the next three years.

Awareness is key, and CEOs in India can play a powerful role in helping lead and drive the IDE agenda in the years ahead. Moving forward, it is important to normalise IDE within companies to avoid fatigue. Any plans need to be intentional and focused on what is possible within their market and business.

Diverse teams are also higher performing-but often only in environments of psychological safety. 62 per cent CEOs in India say they have a responsibility to drive greater social mobility in their organisations, which involves how you invite everyone into, and structure your organisation. It requires that businesses invest in their people in a new way.



Exploring opportunities for growth

Technology

- **Bring your people and technology together:** CEOs in India and their organisations have invested so much in digital transformation that they need to make sure people adopt these technologies and use them to their full potential.
 - **Work with partners to drive value:** With CEOs in India keen on building partnerships, identifying, integrating and managing third parties effectively can help increase speed to market, reduce costs, mitigate risks and supplement capability gaps in delivering the customer promise.
 - **Make customers your focus:** Orchestrating compelling customer experiences requires companies to begin with the customer and work backwards, taking an outside-in perspective to reverse-engineer and shape what the experience should be; then, they should adopt an inside-out view to define how the experience should be delivered.
 - **View cyber security as a strategic function:** Increasingly, cyber is no longer seen as only an IT issue; it's a fundamental business operation imperative. The exponential increase in cyber attacks, coupled with the difficulty of detecting an attack in a timely manner, calls for CEOs in India to look at automation and innovation in dealing with cyber incidents.
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Talent

- **Experiment with ways of working:** As organisations launch return-to-office plans, it's important for CEOs in India to develop working structures that suit their people. Active listening, empathetic communications and a commitment to finding the right balance over the long term will be key.
- **Tell your ESG story:** A business' ESG approach is increasingly seen as a differentiator when it comes to attracting and retaining talent. And with 50 per cent of CEOs in India saying they are struggling to tell a compelling ESG story, it is important for them to articulate for stakeholders the steps they are taking to address ESG in their organisations.
- **Build, don't follow:** Organisations and their employees are changing and leaders need to reinvent the enterprise workforce. The old talent management playbooks are out of date, and the challenge is that there aren't new ones to replace them-yet. The way forward involves strategies that include reinventing the workforce, focusing on the social side of ESG, leveraging analytics and designing a nurturing experience.

ESG

- **Recognise ESG's impact on financial performance:** ESG has become integral to long-term financial success. CEOs in India increasingly agree that ESG programmes improve financial performance, which includes being able to secure talent, strengthen employee value proposition, attract loyal customers and raise capital.
- **Invest in real-time technologies:** CEOs in India should monitor deeper into their supply chain (i.e. at the third and fourth levels). Supply chain leaders in India as well as globally are starting to double down on investing in technology - including real-time, end-to-end analytics - to identify where issues exist and improve visibility across the entire value chain.
- **Take the lead on IDE:** CEOs in India can play a powerful role in helping lead and drive the IDE agenda in the years ahead. It is important to normalise IDE within companies and create a culture of inclusion and diversity across the organisation to attract and retain new employees.
- **Build strong connections among functions:** Resilient organisations have well-connected internal teams, so for example, the finance function is aware of what the ESG teams are doing.

Methodology and acknowledgements

About KPMG's CEO Outlook

The 8th edition of KPMG CEO Outlook, conducted with 1,325 CEOs of which 125 were from India, between 12 July and 24 August 2022, provides unique insights into the mindset, strategies and planning tactics of CEOs not only comparable to pre-pandemic to today, but also from KPMG's CEO Pulse Survey conducted with 500 CEOs, of which 50 were from India, between 12 January and 9 February 2022, before Russia's invasion of Ukraine.

All respondents have annual revenues of over USD500 million and a third of the companies surveyed have more than USD10 billion in annual revenue. The survey included leaders from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, the UK and the US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology, and telecommunications).

NOTE: some figures may not add up to 100 per cent due to rounding.

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