



Redefining resilience

2019 CEO Outlook – Oman

November 2019

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A successful CEO
is an agile CEO.

Foreword

Our fifth annual global CEO Outlook report offers insights from over 1,300 chief executives representing a range of the world's largest organizations, and examines how they are confronting long-held market assumptions that govern decision-making. This year, an additional 25 CEOs in the Sultanate of Oman participated in the survey to enable us to obtain a closer understanding of local opinion.

One of the most compelling findings in this year's CEO Outlook is that over half of Oman-based chief executive officers (CEOs) believe that agility is the new currency of business. If they fail to adapt to a constantly changing world, their business will become irrelevant – a stark choice.

This focus on agility is also redefining what we mean by resilience. In the past, it was about battering down the hatches in the face of short-term headwinds. Organizations looked to defend their positions and use scale to maintain competitive advantage.

The social, economic and technological headwinds we have seen emerge in recent years are no longer short-term. While CEOs continue to see exciting growth opportunities, they are set against a complex, volatile and increasingly uncertain environment. To be resilient, organizations need to be comfortable disrupting their business models if they want to continue to grow. This is what we mean by being agile.

We would like to thank all 25 CEOs in Oman who gave their time and spoke so freely about the opportunities and challenges they face. As we meet with Oman-based business leaders, we are struck by the passion, enthusiasm and belief they have in the future of their organizations and the local economy. We trust this report brings you insights, ideas and different perspectives both in Oman and from around the world.

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



Nader Haffar
Chairman and CEO
KPMG Lower Gulf

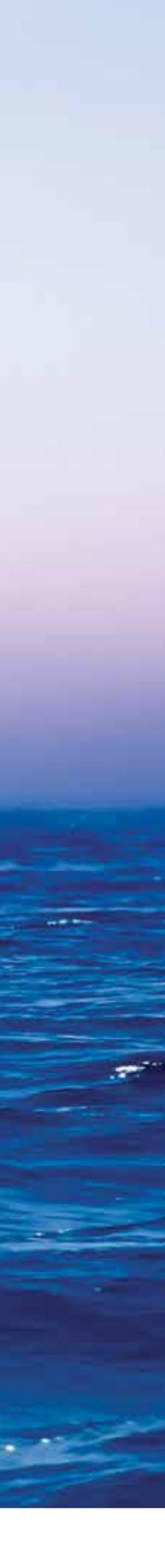


Kenneth Macfarlane
Partner in Charge, Oman
KPMG Lower Gulf



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Agility means anticipating and responding rapidly to unexpected upheavals through innovative strategies for growth.



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Key findings



Uncharted waters

Confidence in the global economy is declining – and disruption is mounting

Confident global outlook

Omani CEOs are more optimistic about the global economy than most of their counterparts in other countries

Dynamic risk landscape

Operational risk remains high on the agenda, as does cyber security risk and the potential return to territorialism

New competitive age

Over half (56%) of Omani CEOs say that rather than waiting to be disrupted, their organization is actively disrupting its sector, well up from 40% in 2018



Leading in uncertain times

To be resilient, Omani CEOs must apply constant pressure to change and adapt

Innovation culture

Nearly three-quarters (72%) of CEOs say they want an environment where mistakes are an accepted part of the innovation process; over half (56%) say that culture is already in place

Agile or irrelevant

Half (52%) of CEOs say that acting with agility is the new currency of business and being too slow risks failure

C-suite reboot

Well over half (60%) are actively transforming their leadership team to build resilience



Changing from within

To master resilience, Omani CEOs need to drive an organization-wide digital reinvention

Cyber resilience

Two-thirds (64%) of CEOs say that a strong cyber strategy is critical to building trust with key stakeholders

Workforce 4.0

One in eight (12%) of CEOs plan to upskill more than half of their entire workforce, and a third (36%) are prioritizing workforce investments over technology investments

Technology 4.0

Two-thirds (64%) of organizations are piloting AI in the automation of some of their processes (a higher proportion than global CEOs, 53%)



The evolution of the CEO

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

A new playbook

Two-thirds (68%) say that, with an average CEO tenure of five years, the need to act with agility has increased

Evolving mindsets

Over half (56%) say they experienced a significant setback early in their careers that they were able to overcome

Uncharted waters

Last year, the CEO Outlook survey found chief executives to be optimistic about the future and their own organization's growth prospects. We also discovered some unease about existential threats, from potential geopolitical volatility to cyber security.

In 2019, we found these concerns remain pertinent and, as a result, significant attention is being given to the uncertainty and possible volatility of today's business environment. Today, CEOs are increasingly focused on building the organizational resilience needed to manage and master disruption while maintaining growth momentum.

James Babb, Clients & Markets Leader, KPMG Lower Gulf, perceives CEOs in Oman as being aware of muted growth in the local economy but still anticipating expansion.

"The most successful business leaders recognize that the ability to be agile is vital in an environment of uncertainty and volatility. This means anticipating – and responding rapidly to – any unusual or unexpected upheavals by seeking innovative strategies for growth. Disruption should be harnessed to benefit your organization rather than viewed as a hurdle."

James Babb
Head of Clients & Markets
KPMG Lower Gulf



Flexibility is needed to master the significant challenges on the horizon. CEOs may need to contend with a range of big-ticket risks: climate change, disruptive technology, and economic territorialism. While they exhibit confidence in their own business, optimism in the global economy is markedly weaker.

While a high proportion of Oman-based CEOs (92%) are confident in their own business's growth prospects (94% amongst global CEOs), fewer (68%) feel the same way about the global economy (63% globally). Additionally, business models that have lasted for decades are now under increasing threat as a result of digital disruption. CEOs must rethink their organization's entrenched and traditional business models in order to drive new digital revenue streams.



Dynamic risk landscape

CEOs must be able to identify and cope with an increasingly unpredictable and fast-changing array of risks. Concerns over environmental degradation, the disruption caused by new technologies, and increasing geopolitical tensions are creating new levels of uncertainty for leaders as they look to meet or exceed growth targets.

To formulate an appropriate and strategic response, chief executives need to understand how risks are connected and ensure their boards and leadership teams are engaged.

In Oman in 2019, operational risk tops the agenda and is therefore regarded by CEOs as the greatest threat to business growth. This is closely followed by cyber security risk, and a return to territorialism, which are deemed equally significant. Cyber security has jumped from being perceived as fairly unimportant last year, to being second equal, a reflection of this growing potential threat. Two-thirds (67%) felt cyber security is a risk to a moderate extent, with 33% being unsure. This compares with 81% of global CEOs who say it is a “very significant,” “significant” or “moderate” risk; only 19% were unsure.

Globally, environmental and climate change tops the risk agenda, 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 – all similar levels of threat mentioned last year.

Within Oman, many companies are becoming increasingly aware of the need to manage emerging topics such as cyber and environmental risks. The Muscat Securities Market is now a member of the Sustainable Stock Exchange Initiative. The Initiative will soon seek to increase the minimum level of disclosure listed companies are required to make with respect to sustainability-related risks, such as climate change. This approach is expected to cause a significant change in the way organizations manage and disclose their approach to these topics, potentially resulting in new products and service offerings.



Chart 1: Threats to growth

Oman CEOs 2019



Global CEOs 2019



Source: 2019 Global CEO Outlook, KPMG International.

KPMG’s Tom Brown, Global Head of Asset Management, sees climate risk topping the global CEO’s agenda as a welcome sign that CEO and investor views are coming closer together. “Asset managers and investors have long recognized 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 move away from asset classes that they think are at risk. One area that CEOs need 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’ attention is turning to energy transition, and the need to move the world away from reliance on fossil fuels. Well over half of Omani CEOs (60%, compared with a higher proportion worldwide, 76%) say their organization’s growth will

“Asset managers and investors have long recognized that climate change is a major financial risk.”

Tom Brown,
Global Head of Asset Management,
KPMG



depend on their ability to navigate the shift to a low-carbon, clean-technology economy. As well as being of value to society, sustainable business practices can also unlock growth and transform performance.

As they look to manage this risk, CEOs’ attention is turning to energy transition, and the need to move the world away from reliance on fossil fuels. Well over half of Omani CEOs (60%, compared with a higher proportion worldwide, 76%) say their organization’s growth will depend on their ability to navigate the shift to a low-carbon, clean-technology economy. As well as being of value to society, sustainable business practices can also unlock growth and transform performance.

Sustainable approaches can create opportunities for new products and services and may also improve how efficiently the organization manages resources and operations.

“As tax transparency gains importance in the region, organizations are gradually becoming more conscious of their public perception.”

Ashok Hariharan,
Head of Tax,
KPMG Lower Gulf



Tax risk in the spotlight

Governments are making unilateral legislative changes and countries are also collaborating to tackle issues such as base erosion and profit shifting (BEPS). At the same time, organizations face increasing public pressure for greater tax transparency, and must therefore manage the threat of controversy and reputational risk. However, this year’s research raises questions about whether CEOs are putting enough focus on tax risk in terms of how they assess their tax function.

When we asked CEOs to identify the most important performance metric for their organization’s tax function, we found a stronger emphasis on efficiency than on risk. Top of the list was that the tax function “effectively manages its department’s resources.” In contrast, that “tax risks are managed appropriately in line with organizational values and objectives” came in as the sixth-ranked priority.

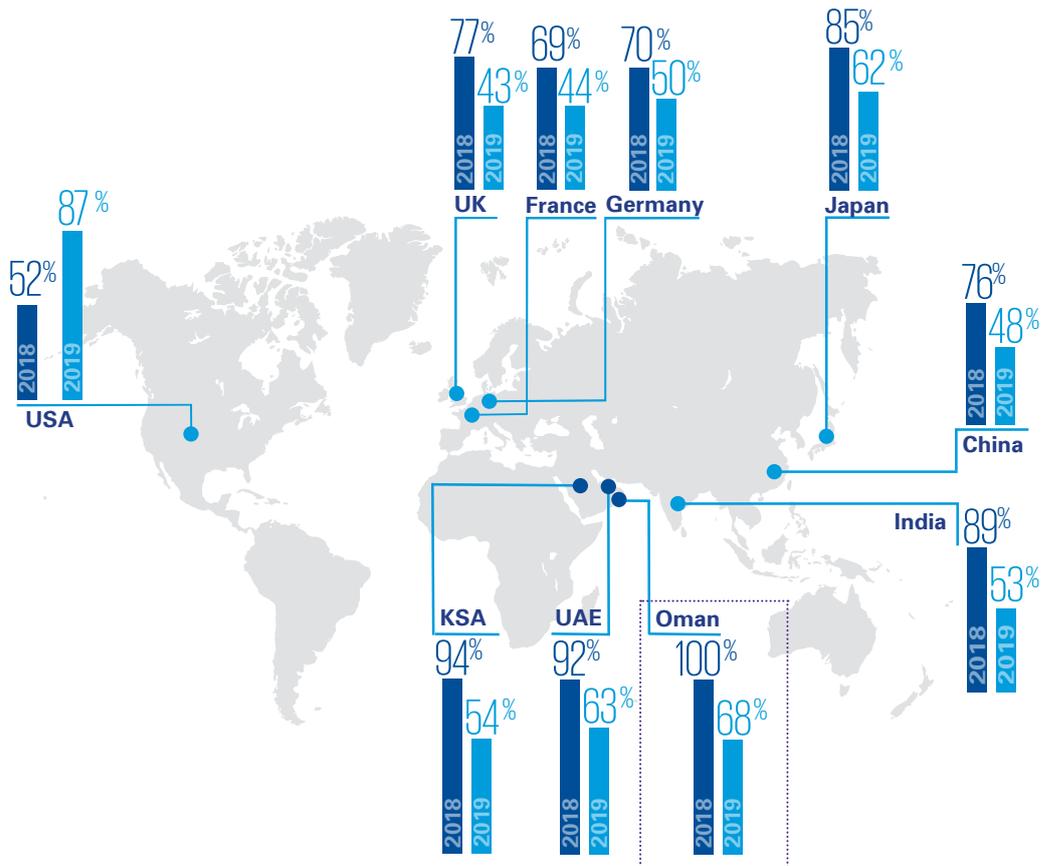
It is vital that entities prioritize a thorough assessment of tax risk and implement a strong control environment to mitigate the risk.

Conflicting global outlook, positive local outlook

In 2019, the CEO Outlook found evidence of decreasing confidence levels in the global economy among many countries’ business leaders, but greater confidence in Oman:

- In four major markets, less than half of CEOs are confident in the global economy: Australia (38%), the UK (43%), France (44%), and China (48%)
- While the US is an outlier, increasing from 52% to 87% of CEOs confident in the global economy, other countries have seen pronounced drops in confidence since last year
- The situation in Oman, however, is much more optimistic, with almost seven out of ten (68%) being confident, though this has dropped from the previous yearly high (100%); it is slightly more optimistic than the global CEO average (63%)

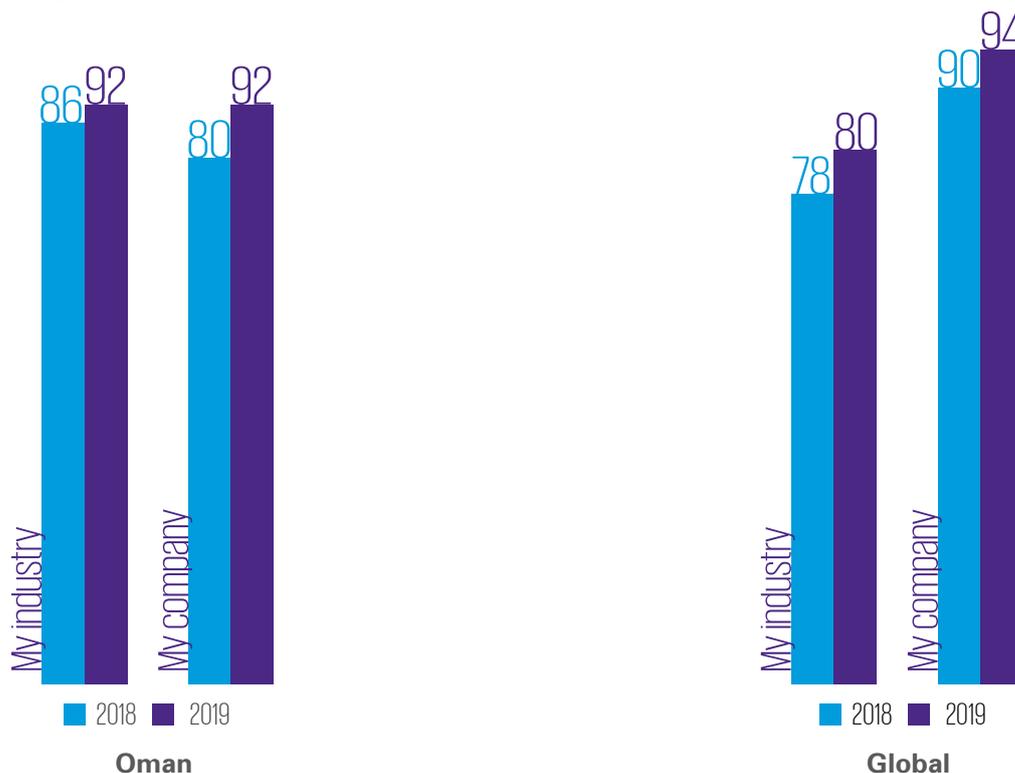
Chart 2: Confidence in the global economy’s 3-year growth prospects: 2018 vs. 2019, by country



Source: 2019 Global CEO Outlook, KPMG International.

This optimism is reflected in Omani CEOs' views on growth prospects across their industry and own company's growth prospects, all of which are more optimistic than last year.

Chart 3: Confidence in their industry, company 3-year growth prospects — 2018 vs. 2019



Source: 2019 Global CEO Outlook, KPMG International.

Driving resilient growth: emerging markets and China's Belt and Road Initiative

When it comes to sources of potential growth and the strategies that CEOs are using to build resilience, emerging markets are a critical factor. Overall, 68% of Omani CEOs (63% globally) said their first priority for geographical expansion over the next three years is emerging markets, compared with the 32% (36% globally) who are prioritizing developed markets. Last year, emerging markets were being targeted by only 40% of CEOs, compared with 60% in favor of developed markets. Growing their global footprint is seen as key to resilience, with a significant majority of Omani CEOs — 80% (87% globally) — saying that they are building their company's presence in emerging markets to become more resilient as a business.

“As the earth’s economic center of gravity is shifting eastwards, companies should take advantage of the abundance of opportunities in emerging markets like the Indian subcontinent, China and south-east Asia. Their burgeoning populations, and the expansion of their middle classes, with steadily increasing consumption, indicate they are becoming significant contributors to global economic growth, despite some sociopolitical challenges.”



Ravi Suri
KPMG Global Head of Infrastructure Finance,
Regional Head of Infrastructure Advisory

China's Belt and Road Initiative (BRI) is also top of mind for a large majority of Omani CEOs, with eight in ten – 76% (65% globally) – telling us that they are prioritizing countries and regions that form part of the Initiative when expanding into emerging markets.

“The Belt and Road initiative includes 71 countries, from New Zealand to South Africa to Panama,” says Suri. “The countries connected along the BRI make up 63% of the world's population and 29% of total global output. The potential for growth and enhanced international trade in a variety of sectors, including infrastructure, financial services, technology, transport and communications, is staggering. CEOs would be well advised to bear the initiative in mind as a disruptive factor when drawing up expansion strategies. We should note that adequate capital is available from banks, pension funds, governments export credit agencies and development finance institutions. However, appropriate risk mitigation at the project level and correct unbundling of infrastructure, in combination with appropriate government regulations to attract the deployment of capital, is key.”

New competitive age

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 also traditional competitors that have established a new digital edge.

Vikas Papriwal, Head of Advisory at KPMG Lower Gulf, believes that leadership teams must recognize that embracing uncertainty and having the courage to make bold decisions is the new normal.

“Organizations can become conventional in their approaches to governance and corporate culture, but CEOs should be willing to overhaul systems that are perhaps not as relevant today as they were when the company was established. Now is the time to reevaluate operating models, to become a more agile organization and seize growth opportunities. Corporations must incorporate fresh perspectives and create significant stakeholder value.”



Vikas Papriwal
Head of Advisory
KPMG Lower Gulf

Resilience requires companies to go on the offensive – disrupting their own legacy strategies and business models. Over half of Omani CEOs — 56% (71% globally) — said that their company's growth relies on their ability to challenge and disrupt any business norm.

According to Farhan Syed, Head of Digital & Innovation at KPMG Lower Gulf,

“There is a continuous need to innovate in the technological sector and break tradition – or risk imminent obsolescence. Leaders would do well to actively resist inertia and challenge themselves, raising uncomfortable questions- which often call for solutions that go against the grain. Perhaps now is the time to assess whether you concentrate on product or experience.”



Farhan Syed
Head of Digital & Innovation
KPMG Lower Gulf

We also saw an increase in CEOs saying that their company is actively disrupting their sector, rather than waiting to be disrupted. Last year, 40% of Omani CEOs (53% globally) said they were on the disruptive front foot, but in 2019 this had increased to well over half: 56% (63% globally). Established technology companies are having to make bold moves in response to significant advances in IT architecture, from mobility to cognitive computing, to ensure they stay ahead of fast-moving competition.



¹The New Silk Roads, Peter Frankopan, Bloomsbury Publishing, 2018

Leading in uncertain times

To build a resilient enterprise that capitalizes on disruption, CEOs must put their organizations 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 mindset and capabilities to deliver the CEO's priorities.

The innovation disconnect

Organizations 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 organization creates value.

We found, however, a disconnect in terms of innovation. While 72% of Omani CEOs (84% globally) said they

want their employees to feel empowered to innovate without worrying about the possibility of negative consequences, only 56% (56% globally) said their organization currently has a culture where "fast-failing" innovation is celebrated.

"Success without failure is a statistical impossibility, more so when we are constantly innovating to maintain the Bank's leadership position," says Sheikh Waleed K. Al Hashar, CEO of Bank Muscat. "Rather than being deterred by the fear of failure, it is important to always ask ourselves 'What can we do better today than yesterday?' and then innovate and prepare accordingly. The key to any organization's continuing success also lies in constant preparation for the few times that things could go wrong. The Bank believes that the right way to go ahead is to fine-tune our policies and procedures and combine it with employee training and preparedness. Accountability, prompt escalation procedures, a readiness to learn from one's mistakes, as well as continuous employee training help us resolve issues without getting derailed from our core principles and customer-centric vision."

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Success without failure is a statistical impossibility, more so when we are constantly innovating to maintain the Bank's leadership position.



Sheikh Waleed K. Al Hashar,
CEO of Bank Muscat

Kenneth Macfarlane, KPMG Partner in Charge, Oman, holds a similar view.

“There are lessons to be learnt from every setback,” he says, “Organizations should examine what went wrong in each trial to understand the issues that affected the outcome. Hitting and exceeding targets is, in part, the product of having a thorough understanding of factors like clients, industry conditions, alliances, competitors, and research findings. Investing in studying the environment in which the organization operates is vital.”

Kenneth Macfarlane
Partner in Charge
KPMG Lower Gulf, Oman



Whether companies have a culture that encourages failing fast varies by sector. In life sciences, where R&D is critical, over two-thirds of global CEOs (67%) say they do have a culture where it is accepted that errors are an ongoing part of the experimentation process.



Creating an innovation culture where employees feel empowered to try out new ideas is challenging to deliver and sustain. KPMG’s Macfarlane believes that CEOs play a critical role in making innovation part of the fabric of an organization: “Employees within each department and at levels across the seniority hierarchy should feel comfortable implementing new methods and putting forward revolutionary ideas without risking rejection. An atmosphere of contrasting opinions is a great breeding ground for business creativity.”

Agile or irrelevant

Large, established organizations, which are built to drive an advantage from scale, are finding that smaller, more agile players can have a competitive edge. As industries such as financial services have seen, disruptors are targeting key elements of the value chain, such as fintechs moving into 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 organizational boundaries.

CEOs recognize the danger of being too slow and cumbersome in a fast-moving age. Over half, 52% of Omani CEOs (67% globally), believe that acting with agility is the new currency of business and that if they are too slow they will become irrelevant. This is down by 8% (up 8% globally) since last year but still signals the importance of having this 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.

“Agility is particularly relevant with current market volatility and uncertainty – due to rapid short-term changes in global macroeconomics,” says the Honorable Saleem bin Said Al Shaksy, CEO of Alizz Islamic Bank. “There are also longer term structural changes, especially in the energy sphere, that have a direct implication for our local economy, and the options and tools we have available for us to maneuver ourselves out of ensuing socioeconomic challenges. Added to this, there are the ongoing geopolitical pressures and risks that need to be taken into account.

“Hence there is critical need for “strategic agility.” CEOs must forget traditional 3-5 year strategic plans and be able to constantly adapt and change strategy on a yearly basis, and at times even sooner.

“With this market dynamic, segments you would have targeted earlier may seem less or more attractive, and this would have a direct impact on how you would reach out to them, and what products you would assemble to meet their shifting needs. In turn, this would have an impact on your distribution strategy and operational model.”

Chart 4: Agility a key focus: 2018 vs. 2019

Proportion of CEOs saying that “acting with agility is the new currency of business; if we’re too slow we will be bankrupt”



Source: 2019 Global CEO Outlook, KPMG International.

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Honorable Saleem bin Said Al Shaksy,
CEO of Alizz Islamic Bank



The need for speed: M&A and agility

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

Overall, we found that 84% of Oman organizations (84% globally) have a moderate-to-high M&A appetite for the next three years. This includes 28% (34% globally), with a high appetite, up from 20% (27% globally) in 2018.

When we asked Omani CEOs with a moderate-to-high appetite for M&A what was driving their strategies, reducing costs through synergies or economies of scale emerged as the number one factor, 67% (compared with the primary global reason: “to transform our business model faster than organic growth will deliver”, 46%). This compares with a year ago, when the principal drivers (50% each) amongst Omani CEOs were: “to transform our business model faster than organic growth will deliver”; “to take advantage of favorable conditions”; and “to reduce costs through synergies/economies of scale.” (Globally, the principal factor in 2018 was “to reduce costs through synergies/economies of scale”, 44%.)

It is worth pointing out that 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.

Connected enterprise: CEOs take the lead

For many organizations, 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 organizational silos, make it impossible for organizations to be nimble and responsive to changes in their environment.

When addressing such issues, CEOs in Oman are taking personal responsibility for greater cross-functional alignment. More than eight out of ten — 84% (79% globally) — said that they were responsible for overseeing this alignment in a way that their predecessors were not.

Pilar De Miguel, Head of Customer, Digital & Innovation, KPMG Lower Gulf, believes the CEO’s personal intervention is key to realizing a customer-centric organization.

“It is the CEO’s duty to coordinate the roles of every function within the organization to build a culture of customer centricity. Each segment must maintain open, effective communication channels and work synergistically to exceed customer expectations, which in turn should have a knock-on effect on profitability.”

Pilar de Miguel
Head of Customer,
Digital & Innovation
KPMG Lower Gulf



Cloud-based solutions will be key to addressing fragmented digital infrastructures, made up of a range of bespoke, on-premise computing infrastructure. The cloud offers scaled capabilities and advanced technologies that can transform how work used to be conducted via legacy IT systems. Omani CEOs are embracing these technologies wholeheartedly. A significant majority — 68% (78% globally) — said that they were more confident today about increasing their organization’s use of cloud technologies than at any point in the last three years.

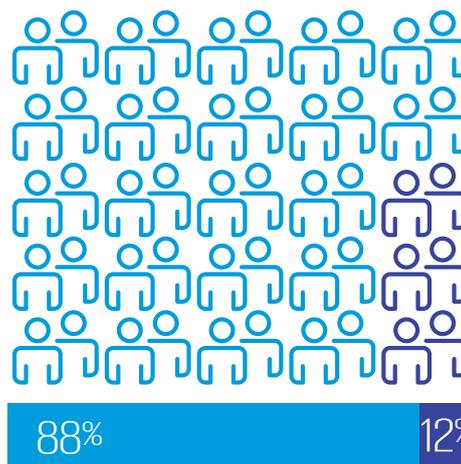
This reinforces the CEO’s increasingly prominent role in technology strategy. In this year’s research, almost three-quarters – 72% of Omani CEOs (85% globally) – said they are personally leading the technology strategy of their organization.

C-suite reboot

C-level roles have already changed considerably over recent years as CEOs respond to new demands. The established direct reports of the CEO, such as the Chief Financial Officer (CFO) and Chief Marketing Officer (CMO), have been joined by new C-suite capabilities, from Chief Analytics Officers to Chief Digital Officers and Chief Information Security Officers. However, while CEOs have added more firepower to their leadership teams, they are not stopping there.

Well over half of Omani CEOs — 60% (84% globally) — said that they are actively transforming their leadership team to build resilience. Interestingly, the global survey indicates a link between this finding and those CEOs who have ambitious plans to up-skill their workforces as a whole. In companies where global CEOs have ambitious plans to up-skill more than 51% of their workforce, 86% also plan to transform their leadership teams. But in organizations where up-skilling is limited to less than 40% of the workforce, the number of CEOs planning to transform their top teams drops to 75%.

Chart 5: Omani CEOs who are transforming their workforce



- Upskilling 21% to 50% of the workforce
- Upskilling 51% to 60% of the workforce

Source: 2019 Global CEO Outlook, KPMG International.

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

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 whether the current crop of functional leaders have the right profile and capability to deliver.



In order to be resilient, a company has to have the right leadership and one with the right mindset. Building the right culture and organizational structure are crucial.



Henadi Al-Saleh,
Chairperson, Agility

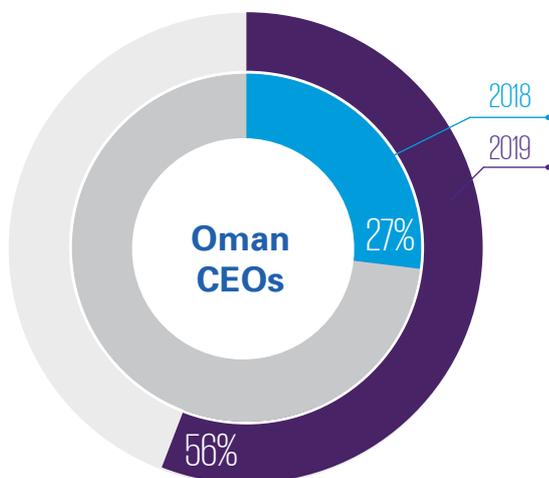
Changing from within

To help future-proof their businesses, CEOs need to drive an organization-wide digital reinvention. This means building cyber resilience so that concerns over security threats do not derail digital innovation. It also 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. Concerns over cyber security, however, can impede those ambitions. Organizations need to ensure that these threats do not undermine digital's growth potential.

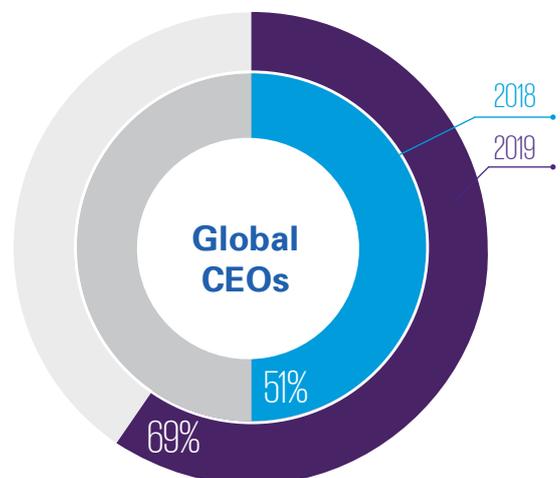
Chart 6: Preparedness for a future cyber attack: Omani and Global CEOs



Source: 2019 Global CEO Outlook, KPMG International.

Over half – 56% of Omani CEOs – say their organization is prepared for a future cyber attack. This represents a substantial decline from last year: 80% of Omani CEOs said they were prepared for such a threat, although more global CEOs show they are better positioned than in 2018 (51% compared with 69% this year). 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 strongly believe that effective cyber security is much more than a defensive or mitigating capability. We found that well over half (60%) of Omani CEOs (71% globally) say their organization sees information security as a strategic function and a source of competitive advantage.





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Cybersecurity goes beyond policies and planning in order to generate trustworthy solutions.

Tim Wood, Head of Cyber Security, KPMG Lower Gulf, outlines how strategic advantage will fall to companies that outperform their competitors in terms of transparency and quality of incident response.

“Consumers appreciate transparency,” he says. “They prefer organizations they trust, and particularly those which are open about the way in which they will use customer data. If there are security breaches, consumers understandably want to know how the company resolved the situation and the steps they have taken to ensure the incident doesn’t happen again.”



Omani CEOs are aware of the cyber threat: 44% (52% globally) said becoming the victim of a cyber attack is now a case of ‘when’ and not ‘if’, for their organization. Curiously, these figures have declined in Oman (60% believed this in 2018), but have slightly increased globally (49% last year).

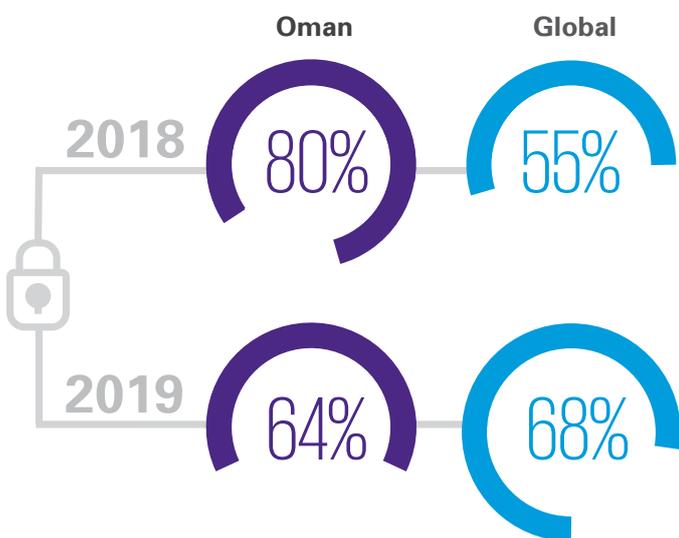
That said, a large majority, 84% of Omani CEOs (72% globally) believe that protecting their customers’ data is one of their most important responsibilities as chief executive, to enable their organization to grow its customer base in the future. This sentiment is much more pronounced than a year ago: only 27% of Omani CEOs and 60% of global.

Katherine Robins — Cyber Security Partner, KPMG Australia — outlines how strategic advantage will fall to companies that out-perform their competitors in terms of transparency and quality of incident response. “For consumers, the value of your data is front of mind,” she says. “If an organization is more transparent about how they handle data and privacy — even to the extent of how they handle incidents such as a breach — their brand will be differentiated and they will enjoy greater consumer trust.”

Those global CEOs who have made their organizations more cyber resilient are also more focused on disrupting their industry, tend to make bolder use of AI, and are projecting stronger revenue growth (over 2% revenue growth or more) over the next three years.

CEOs play a key role in driving the right culture for cyber resilience. This means having a deep understanding of the risks facing the organization and implementing awareness programs to ensure that security practices are ingrained in day-to-day business operations.

Chart 7: CEOs who believe a strong cyber strategy is critical to engendering trust with their key stakeholders, 2018 vs. 2019



Source: 2019 Global CEO Outlook, KPMG International.

“A single misdemeanor can undermine the efforts of the most skilled cyber security team,” says KPMG’s Wood. “The strongest controls possible may have been employed, but it is human error that often leads to breaches. Every employee in the organization should be responsible for cyber security, and there should be a culture of digital awareness and exercising caution.”

Defining ROI for cyber security spend

CEOs need to ensure that they are investing enough financial resources in building cyber resilience. However, understanding what is ‘enough’ is difficult given the challenges of assessing return on investment (ROI). “What makes cyber security especially challenging is that it is a concept that only comes to the forefront of people’s minds when it fails,” says Wood. “Organizations

need to regularly assess the risk they face of a successful cyber attack and the potential impact it might have on their operations. This will enable you to assess the cost of deploying new technologies and staff, in the context of the cost of a potential breach.”

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. While this is affecting blue-collar jobs, many other positions could potentially be affected—even highly skilled roles are not immune.

This seismic shift poses wider questions for society and governments. 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 up-skilling.

“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. “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 recognize this trend is accelerating and requires their attention. Despite the growing importance of the technology-driven economy, only 12% of Oman-based CEOs (45% globally) surveyed stated they would be up-skilling their workforce in new digital capabilities (advanced data visualization, ability to code, etc.) over the next three years.

On the other hand, Omani CEOs believe their current workforce is highly or very effective in cyber security specialism: 68% (90% globally). Curiously this has declined from last year, from 80% (but increased globally, from 77%).

“

When asked which area of investment was a priority, Peter Walichnowski, CEO, Oman Tourism Development Co., commented, “I cannot separate the two. Both [workforce skills and new technology] should be priorities and one cannot function without the other.”



Peter Walichnowski,
CEO, Oman Tourism Development Co.

Marketa Simkova, Head of People and Change, KPMG Lower Gulf, sees effective up-skilling as more than just equipping people to use new technologies, but winning over hearts and minds.

“Technological evolution is a blessing, but it is not always exploited to its full potential. Organizations sometimes invest in highly sophisticated systems, but employees’ anachronistic skill sets may not extend to being able to use them to achieve maximum efficiency. Many may require convincing that adopting certain technological systems would enhance rather than hinder their capabilities. Organizations should make a concerted effort to spread awareness about its many advantages and equip employees with the knowledge they need.”

Marketa Simkova
Head of People and Change
KPMG Lower Gulf

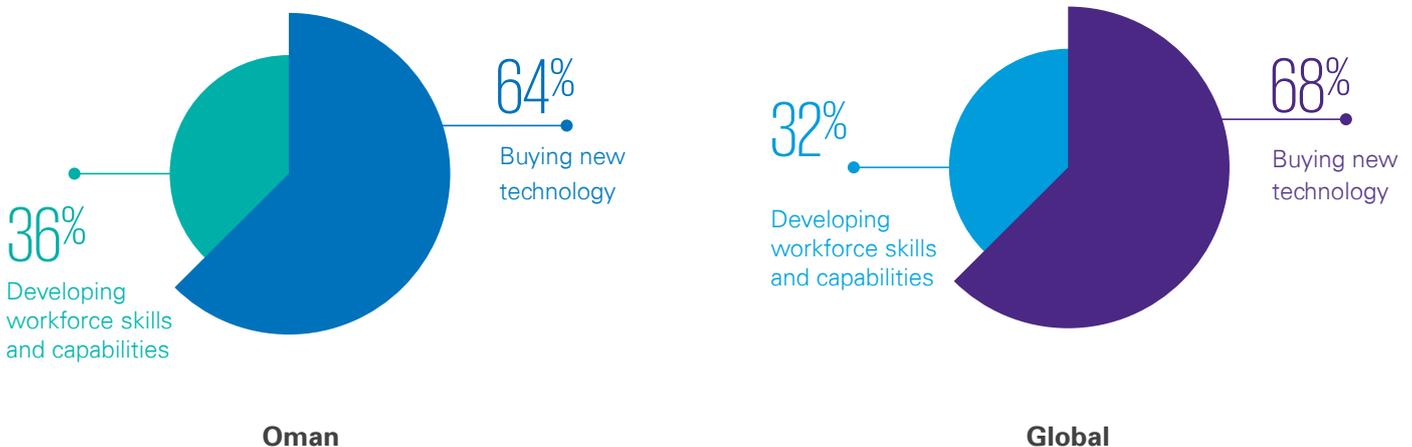


However, when CEOs were asked how they are prioritizing their capital investments, we see a disconnect between the workforce changes they know they need to make and the investments that are required in their technology. Two-thirds of Omani CEOs — 64% (68% globally) — said that they are placing more capital investment in buying new technology.

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 it,” 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 upskill and reskill the workforce, both at a company level, and at a country level.”

Over half of Omani CEOs – 60% (59% globally) – said it’s challenging to find the workers they need. Tellingly, modernizing their workforce was the top strategy CEOs, both in Oman and globally, selected for how they are ensuring their organization is future ready.

Chart 8: Investing in new technology vs. workforce up-skilling



Source: 2019 Global CEO Outlook, KPMG International.

Masaaki Tsuya, CEO of Bridgestone — the world's largest tire 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 up-skilling initiatives are not fragmented, and that resources and investment are focused on areas where they will have greatest impact.

Alignment between the CEO and Chief Human Resources Officer on people strategy is critical. However, KPMG's Simkova believes there is still a disconnect in many organizations. "HR teams must be agile and anticipate disruption. Technological innovations like artificial intelligence will certainly have an impact on job descriptions and the skill set of people that need to be hired. When planning for the future, human resources officers should consider how changing market conditions would affect recruitment, training programs, and people management processes."



Technology 4.0

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

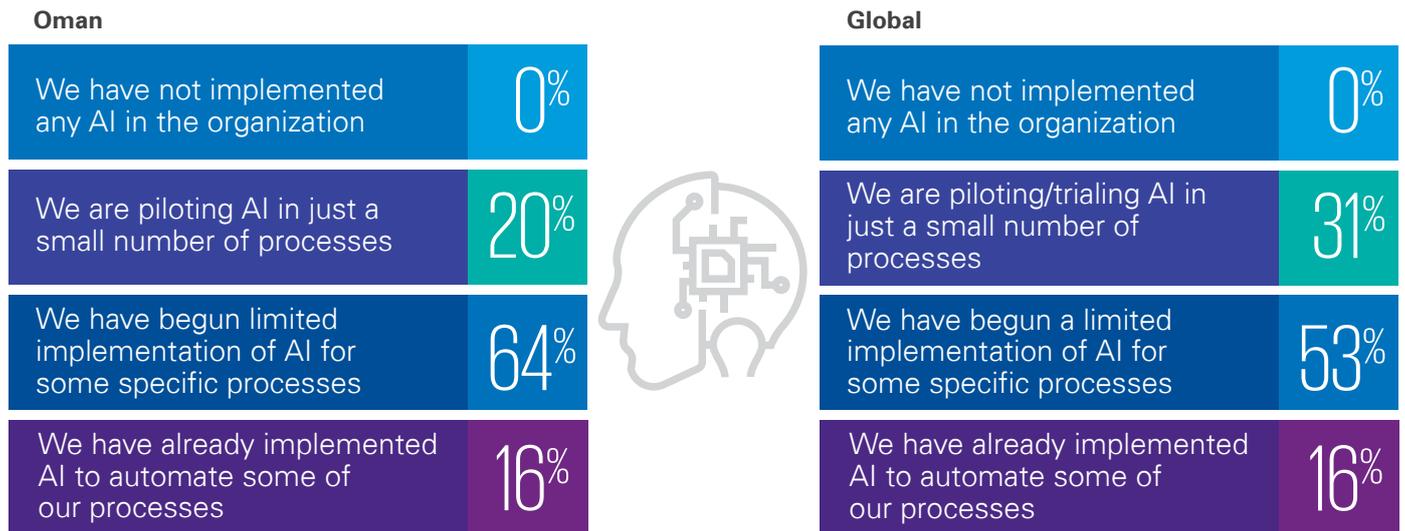
Most organizations, however, have not yet fully applied artificial intelligence in their process automation, although Oman seems more advanced in this regard than the global sample of CEOs. Sixteen percent of Omani CEOs (also 16% globally) said they have already implemented AI to automate their processes; as much as two-thirds — 64% (53% globally) — had begun limited implementation,

and 20% (31% globally) were piloting or trialling AI in a small number of processes.

Incorporating artificial intelligence at enterprise scale presents significant challenges that are different from mainstream IT delivery. Many organizations face a shortage of relevant skills, with specialists in high demand. Organizational resistance may be pronounced, with employees concerned about how the adoption of artificial intelligence will impact their roles.

“We are living at a crucial time in history where 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. What the world needs is technology that benefits people and society more broadly and is trusted.” said Satya Nadella, CEO, Microsoft (Microsoft Annual Report 2018).

Chart 9: State of play in intelligent process automation



Source: 2019 Global CEO Outlook, KPMG International.



The evolution of the CEO

The scale and type of contribution 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 remain receptive to new ideas, so they can challenge entrenched management and organizational thinking.

A new playbook

Resilience in today's dynamic marketplace is 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 significant impact.

This need is given added urgency because 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 five years. A large majority of Omani CEOs — 80% (75% globally) — felt that it did, and that this was shorter than when they first began their careers.

Two-thirds of Omani CEOs — 68% (67% globally) — felt that this five-year average tenure means there is more urgency to act with agility.

Evolving mindsets

To drive innovation and change, CEOs need to be prepared to steer their organizations 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:

1. Maintaining close customer connections

Leaders need to maintain a dialogue and understand customers' changing values and needs. For example, Omani CEOs recognize that customers want to know where leaders stand on societal issues. About half of Oman-based CEOs (48%, 71% globally) felt it is their personal responsibility to ensure their organization's environmental, social and governance (ESG) policies reflect the values of their customers.

2. Balancing data driven insight with intuition and experience to anticipate customer needs

Leaders should balance data-driven insight into customer needs and requirements with their own expertise and intuition. We found that two-thirds, 68%, of Omani CEOs — fewer than in 2018 (80%) — say they have disregarded data-driven insights because they were contrary to their own experience or intuition. This is similar to global findings in 2019, 71% (67% in 2018).

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 being. That involves making sure algorithms are not relying on biased information and that diligent quality control measures are in place.

3. Building emotional resilience

Leaders need to create an environment where willingness to change is recognized as a strength, not a weakness. Many Omani CEOs have built the emotional resilience to recover from a failure. Over half, 56% (74% globally) said they experienced a significant setback early in their career — such as launching a venture that ultimately proved unsuccessful — but that they were able to learn from their experiences.



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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.

Conclusions



Uncharted waters

CEOs in Oman face a potentially uncertain 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 rising concern 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 potential slowdown occur.

CEOs should disrupt their own legacy strategy and business models, challenging the long-held beliefs and orthodoxies that have governed their companies and sectors for many years.

Leading in uncertain times

Omani CEOs need to build resilience within their organizations by driving change; this will involve the careful management of tensions within the business.

While encouraging innovation through acceptance of productive failure, they must also foster a disciplined approach that does not sacrifice quality.

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.



CEOs in Oman remain very confident in the prospects of their company, their industry and in the global economy.

They are also optimistic about their ability to confront a general era of unprecedented change and economic uncertainty. With potential uncharted waters ahead, they are determined to build the resilience required to ensure their organizations stay agile, and emerge even stronger in the future. In the face of an unpredictable business environment, they are injecting a new urgency into the evolution of their own organizations, challenging accepted practice and outdated attitudes, all in the name of growth.



Changing from within

Omani CEOs are advised to drive an organization-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 organization, and put in place the communications and education programs necessary to ensure security best practice is part of the DNA of their businesses.

To drive this ambitious remodeling of both systems and personnel, CEOs must give their learning and development teams the strategic backing and resources they need, while also putting in place effective governance structures to ensure that resources and investments are focused on areas where they will have greatest impact.

Finally, they need to lead their organization's AI strategies in terms of how, where and when these new technologies can be deployed.



The evolution of the CEO

The modern Omani CEO needs to accept and embrace having more to do and less time to do it.

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, anticipating 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, having learnt from past mistakes, is recognized as a strength.



Methodology and acknowledgments

The data published in this report is based on a survey of 1,300 CEOs in 11 of the world's largest economies: Australia, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the US. The survey was conducted in the first quarter of 2019.

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

The findings of this report are based on the responses of 25 CEOs based in Oman. They came from a representative sample of company size:

Revenue breakdown of Omani CEO respondents' organizations

USD 500 – 999 million 52%

USD 1 billion – 9.9 billion 28%

USD 10 billion or more 20%

About KPMG Lower Gulf

KPMG Lower Gulf Limited provides audit, tax and advisory services to a broad range of domestic and international clients across all sectors of business and the economy. We work closely with our clients, assisting them to mitigate risks and highlight opportunities.

Established in 1973, KPMG Lower Gulf now consists of approximately 1,300 staff members, including approximately 100 partners and directors, across Oman and the UAE.

KPMG is widely represented in the Middle East and also has offices in Saudi Arabia, Bahrain, Qatar, Egypt, Kuwait, Jordan and the Lebanon. As well as having many of the region's leading organizations and government-related entities as its clients, KPMG in the Lower Gulf has been party to numerous milestone engagements in the Middle East.

Source: 2019 Global CEO Outlook, KPMG International



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In April 2019, KPMG Lower Gulf launched the Omani National Development Program, Al Falaj. The initiative aims to provide Omani employees with mentorship and career counselling.

Details of all the services we offer can be found on our website:

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Designed by KPMG Lower Gulf Creative team.

Publication number: 2511

Publication date: November 2019