



2020 CEO Outlook: COVID-19 Special Edition



Singapore Edition



Foreword

Bill Thomas

Global Chairman and CEO, KPMG International

The global pandemic has redefined leadership

The COVID-19 crisis is making demands of CEOs that few people could have predicted just months ago, and in many ways, has already redefined leadership. Every person, business and country has somehow been impacted by this pandemic, and all are at different stages. For many, uncertainty is the only certainty.

In an effort to bring some clarity to the complex world we find ourselves in, KPMG interviewed hundreds of CEOs from many of the world's largest companies, first in January and then again in July and August, to get their perspectives and to understand how their priorities have changed. We asked about their confidence in the future and examined how they are approaching this once-in-a-generation crisis.

Not surprisingly, the CEOs we interviewed in this groundbreaking study are less confident about global economic growth than they were at the beginning of the year. But growth projections and output measurements don't tell the whole story. Corporate leaders have had to recalibrate their priorities and many have focused on what matters most—the health and well-being of their people and the societies their businesses serve.

With the real fears of an overturned marketplace, CEOs are acting decisively across their entire organization. Business leaders have told us that they are accelerating their company's digital transformation and working to ensure their talent pipelines can adapt to meet new demands. They are renewing or revamping their corporate purpose so their organizations can contribute solutions to the many problems the world faces.

Together, it's a lot to do for any leader, especially on an expedited timeframe, and I would like to thank all the business leaders we talked to for taking the time to participate. With their help, we've uncovered some important trends and insights in this report that we hope you will find just as interesting as we do.

Thank you for the trust you have put in KPMG, and please stay safe.



A time for change, a time for leadership

Ong Pang Thye

Managing Partner, KPMG in Singapore

New priorities for business leaders

Looking back over the last eight months, it is indeed astonishing how much has changed. Businesses have been forced to compress five years of transformation into mere months as the government's Circuit Breaker restrictions came into effect, along with the unparalleled government support.

To accompany the global KPMG 2020 CEO Outlook COVID-19 Special Edition, we reached out to business leaders in Singapore to understand how their thinking has evolved as a result of the crisis. Two key areas were highlighted as a risk to businesses: supply chain risk and an apparent global return to territorialism. Other areas of concern include corporate earnings outlook in Singapore, confidence in the global economy and the ever increasing importance of being purpose-focused and driving digital transformation throughout the business.

We are pleased to present these views and our analysis of their implications.

If you would like to discuss any of the issues raised in this report, we would welcome the opportunity to do so. In the meantime, please stay safe.



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Singapore insights: Executive summary

Purpose

Businesses are more purpose-focused than before

Four in five CEOs in Singapore say they feel a stronger emotional connection to their purpose since the crisis began. COVID-19 has been the impetus for CEOs in Singapore to re-evaluate their organisations' purpose and impact on social change.

Climate change efforts accelerated by COVID-19

Three in five CEOs in Singapore recognise that managing the risk of climate change will play a role to determine if they keep their jobs over the next five years.

Prosperity

CEOs in Singapore are less confident about the global economy

48 per cent of CEOs in Singapore are less confident about prospects for global growth in the coming three years compared to less than 32 per cent of CEOs globally.

Company earnings' outlook in Singapore

As a result of geopolitical uncertainties and the inherent interdependencies in Asia, 24 per cent of Singapore business leaders expect to see their company's earnings grow at more than 2.5 per cent over the next three years.

Risk

In Singapore, supply chain risk and the return to territorialism rank as the top two threats to businesses, underscoring the country's external dependencies. Talent risk, the chart-topper for CEOs globally, takes third place.

Priorities

CEOs focused on digital transformation

Business leaders in Singapore are betting on major dimensions of digital transformation and a vast majority (80 per cent) have seen their digitisation of their operations accelerate during the lockdown period. Two-thirds (67 per cent) of CEOs in Singapore are likely to put more capital investment into technology.

New working reality

Businesses in Singapore are looking to change their recruitment strategies as remote working has widened their potential talent pool and companies will be downsizing their office space in the short term.



While COVID-19 forced the world into a slowdown and adversely impacted economies, it also brought about a period of review and reflection for businesses.



Lee Sze Yeng
Head of Audit
KPMG in Singapore

CEOs who agree with the following statements

80%

A stronger emotional connection to purpose since the crisis began

84%

Our organisational purpose has provided clear frameworks for our business to make quick, effective COVID-19 related decisions

Source: 2020 KPMG CEO Outlook, COVID-19 Special Edition, KPMG in Singapore

Purpose as a driving force

The global pandemic has accelerated the call for societal change and added further scrutiny from stakeholders on businesses and their leaders. 72 per cent of CEOs in Singapore say they have had to re-evaluate their organisations’ purpose as a result of COVID-19.

Building trust

In the face of the pandemic, leaders have put aside the relentless pursuit of growth, to spend time relooking at the purpose of their businesses.

An intangible attribute that arises from the alignment of purpose is trust. Trust strengthens brand loyalty, and in circumstances such as a pandemic, this trust can be the key differentiator for who can emerge from the crisis faster.

A climate for change

The government’s plan to transition into a green economy will position the nation as a key player in the green recovery. CEOs in Singapore recognise that managing climate risks is a leadership priority. Climate risks increasingly play a critical role given the risk exposure to organisations’ operations

directly or via their supply chain. A failure to understand and manage climate risks can potentially impact businesses in categories such as operational credit, liquidity or counterparty risks.

Traditional risk approaches may not adequately address climate-related exposures as the repercussions usually impact over the long-term, with Year 2030 or 2050 commonly applied as timeframes.

Taking personal responsibility

The Government’s plan to transition into a green economy will position the nation as a key player in green recovery, allowing it to build upon strong foundations and its 5G digital strategy to continue attracting capital and talent for competitive advantage. Mitigating climate risks has also evolved into a personal responsibility for business leaders in Singapore. 60 per cent of CEOs feel that their ability to manage climate-related risks will ultimately determine whether they keep their jobs over the next five years.



Confidence in Singapore

The 2020 KPMG CEO Outlook finds that the COVID-19 pandemic has shaken CEOs' confidence. Likewise, CEOs in Singapore are now much less confident in the growth prospects for their companies, industry sectors, and the global economy than they were at the beginning of the year. However, Singapore business leaders are more confident (52 per cent vs global 45 per cent) in the resilience of Singapore's growth prospects over the coming three years.

CEO confidence in the global, country and company growth over the next three-years, compared to the beginning of the year



Singapore Global

Source: 2020 KPMG CEO Outlook, COVID-19 Special Edition, KPMG International

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Amidst the impetus for accelerated change, business leaders equally need to pause and reflect on the specific fundamentals of their business; outsourcing and partnering where possible, and standing apart where required, focused on what the business excels in.



Ling Su Min
Head of Clients & Markets
KPMG in Singapore



Greatest threats: Supply chain weaknesses and talent risk



Although Singapore is viewed as an attractive place for international talent, companies need to find the balance between attracting global talent and encouraging and developing strong local leadership.



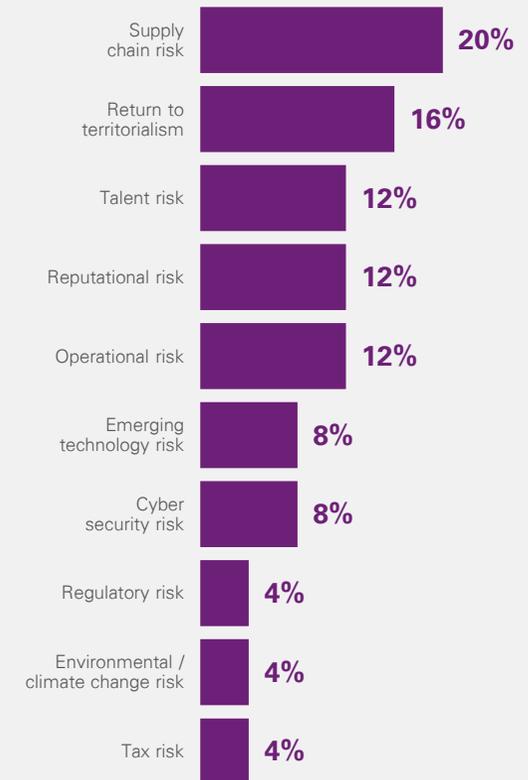
Satya Ramamurthy
Partner, Head of Infrastructure, Government & Healthcare, KPMG in Singapore

Supply chain risk is seen by CEOs in Singapore as the greatest threat to their companies' growth over the next three years. 42 per cent believe they will have to rethink their global supply chain due to the pandemic. The return to territorialism ranks second in the list of threats to companies' growth, given the risk that the pandemic could potentially accentuate nationalistic tendencies.

CEOs in Singapore ranked talent risk as third, compared to the global study which lists it as the greatest threat. Singapore topped the Global Talent Competitive Index 2020 in Asia Pacific, which is why they might not view talent risk as the top threat. However, following the general election, public sentiment about foreign talent has become more negative. As a result, companies need to balance attracting the best international senior talent with nurturing a strong 'Singaporean core'.

Given Singapore's role as a hub for global trade and commerce in a rapidly nationalising world, it is no surprise that supply chain risk and return to territorialism rank as key concerns among business leaders in Singapore.

Biggest risk to organisation over a three-year period



Source: 2020 KPMG CEO Outlook, COVID-19 Special Edition, KPMG in Singapore



Digital transformation in hyper drive

A majority of CEOs in Singapore (72 per cent) have seen their new digital business models accelerate during the COVID-19 period.

Compared to global (17 per cent), more CEOs in Singapore (40 per cent) say that progress in digital transformation and creating new digital business models has put them years in advance of where they would have expected to be right now.

Most Singapore business leaders expect that they will continue to invest in their journey towards digitisation.

The Singapore Government has backed many initiatives as part of its Smart Nation goal, and with the sustained efforts, Singapore could become a leader in digital transformation and new local champions could emerge.

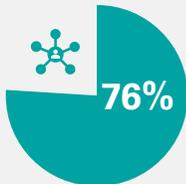


While the renewal of backend systems and seamless customer journeys was the key focus over the last few years, digital transformation going forward will be about building completely new business models, innovative products and never-seen-before services to engage customers and partners.



Jan Reinmueller
Partner, Head of Digital Village, Advisory, KPMG in Singapore

CEOs who agree with the following statements



We will continue to build on our use of digital collaboration and communication tools



Remote working has caused us to make significant changes to our policies to nurture our culture



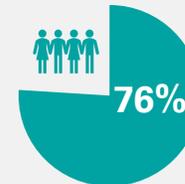
Working remotely has widened our potential talent pool



We will be downsizing office space



My communications with employees have improved during the crisis



We are now engaging more with the local communities where our work is based

Source: 2020 KPMG CEO Outlook, COVID-19 Special Edition, KPMG in Singapore



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In the long run, as technologies evolve and it becomes easier and more acceptable to service clients remotely, potential employees may be less willing to physically relocate to a new geography.



Tay Hong Beng
Head of Real Estate
KPMG in Singapore

The future of the workforce

Two-thirds of CEOs (68 per cent) feel that COVID-19 will lead to a widening of the potential talent pool for businesses in Singapore. While many companies had been experimenting with work-from-home (WFH) arrangements even before the pandemic, this trend has accelerated dramatically because of the government's Circuit Breaker restrictions. 76 per cent of CEOs in Singapore plan to continue to build on the use of digital collaboration and communication tools to enable employees to work remotely.

Where are the employees of the future?

There is an increasing likelihood that such employees will offer their services to future employers remotely, creating a global pool of talent for employers to hire from, and disrupting current hiring practices. To remain attractive to businesses seeking global talent, Singapore may potentially have to adapt its manpower and tax laws to remain attractive, while at the same time protecting its resident workforce from unfair hiring practices.

A decentralised business district

If the trend of WFH continues post-COVID-19, it may limit the demand for additional office space and even lead to higher vacancies in existing office buildings. The majority of CEOs in Singapore (84 per cent) surveyed (compared to the global figure of 69 per cent), believe that the trend of WFH and working from remote locations is irreversible and consequently, companies will be downsizing their offices in the future.

The downward pressure on occupancies in existing office buildings, and possibly rentals, may be partly mitigated due to the long-term tenures of office leases and safe-distancing requirements. The pandemic has also prompted a shift from large offices in the centre of the city to alternate and smaller work hubs. Coupled with the CBD incentive scheme by Singapore's Urban Redevelopment Authority, this may lead to a significant reduction of office stock in the Raffles Place CBD and the development of Grade A and Grade B office stock in upcoming alternate CBDs such as Jurong Lake District.



A time of contemplation and opportunity

The COVID-19 crisis has inadvertently created a time for people all over the world to reflect and contemplate on what good businesses are, and what strong leadership is about. Business leaders will now have to confront these new demands and start communicating reasons for their existence to provide clarity to their customers and employees.

There is no doubt that the global pandemic has had a tremendous impact on businesses. But it has also revealed the extraordinary strength, resilience and resourcefulness of Singapore business leaders who have found ways to rapidly adapt and transform, enhance the capabilities of their workforce, and focus purposefully on what they need to thrive in a post-COVID-19 reality.

“ ”

CEOs in Singapore are responding quickly, and positively by connecting to their organisations' purpose and company values, in order to focus on the longer-term goals where employees are kept focused and customers are kept engaged. Companies which are more purpose-focused will be the ones that recover from this crisis faster post-COVID-19.



Ong Pang Thye
Managing Partner
KPMG in Singapore



2020 CEO Outlook: COVID-19 Special Edition



Global Edition



Key findings

The KPMG 2020 CEO Outlook COVID-19 Special Edition offers a unique lens on evolving attitudes as the pandemic has unfolded. KPMG initially surveyed 1,300 CEOs in January and February, before many key markets were beginning to feel the full impact of lockdowns. Then, in July and early August, we conducted a follow-up survey of 315 CEOs to understand how thinking has evolved. Key developments include:

Talent and a new working reality:

Businesses are looking to change their recruitment strategies as remote working has widened their potential talent pool and companies may be rethinking their office space in the short-term while also considering the future of work.

Shifting risk agenda:

Since the start of the pandemic, 'Talent risk' has risen to be named as the most significant threat to the growth of their businesses ahead of 'Supply chain risk' and a 'Return to territorialism'.

Digital acceleration:

Business leaders are betting on major dimensions of digital transformation and the majority have seen this accelerate during the lockdown.



Overall, three key themes emerged from this year's survey, which we characterize as Purpose, Prosperity and Priorities.

Purpose

In the midst of a health and humanitarian crisis, CEOs are focused on creating trusted, purposeful organizations that address critical societal challenges.

● A renewed sense of purpose

At the beginning of the year, 77 percent of CEOs said the primary objective of their organization was purpose or societal driven, and today 79 percent say they feel a stronger emotional connection to their organization's purpose since the crisis began.

● From empathy to action

39 percent have had their health, or the health of one of their family, affected by COVID-19, and 55 percent changed their strategic response to the pandemic as a result.

● Standing up for equality

In early 2020, 65 percent said that the public is looking to businesses to fill the void on societal challenges and today 81 percent are introducing new anti-black racism measures.

Prosperity

As well as crisis response, CEOs are positioning their businesses for long-term growth and prosperity.

● Growing in adversity

Today, around one-third (32 percent) say they are less confident now about prospects for long-term global economic growth than they were at the start of the year.

● Accelerating digital growth

80 percent say the pandemic has accelerated digital transformation, with the biggest advance in digital operations, where 30 percent say that progress has put them years ahead of where they would have expected to be right now.

● The talent premium

'Talent risk' rises 11 places since the beginning of the year to be the number 1 threat to long-term growth.

Priorities

CEOs are doubling down on transformation priorities to build the capabilities needed to win in the post-COVID future.

● Leaning in to ESG

71 percent say they want to lock-in climate change gains made as a result of the pandemic, with 65 percent saying that managing climate-related risks will play a part in whether they keep their jobs or not over the next 5 years.

● Future of work

77 percent say they will continue to build on the digital collaboration and communication tools that are being used as a result of the pandemic, and 73 percent believe that remote working has widened their available talent pool.

● Customer-centric supply chain

67 percent say they have had to rethink their global supply chain approach given the disruptive impact of the pandemic, driven by the desire to become more agile in response to changing customer needs.



Purpose

79 percent have had to re-evaluate their purpose as a result of COVID-19 to better address the needs of their stakeholders

With profound consequences for people's health and livelihoods — as well as the future of companies and industries — the pandemic has presented CEOs with the greatest possible test of their leadership abilities and personal resilience. Chief executives of the world's largest organizations are using this unparalleled moment in history to lead with increased purpose and impact, both societal and economic. They are leading with empathy and humanity as they prioritize talent and corporate responsibility, finding opportunity amid a fall in global economic confidence, and rewiring their businesses for tomorrow's new reality.

A renewed sense of purpose

At the beginning of the year, we found that most CEOs were seeing the primary objective of their organization shift from purely profit to also consider their purpose in society. Less than a quarter (23 percent) saw the organization's overall objective in narrow 'managing for shareholder value' terms, with 54 percent taking a broader, purpose-driven approach focused on multiple stakeholders. Furthermore, one in five (22 percent) say that their primary objective is to improve society.

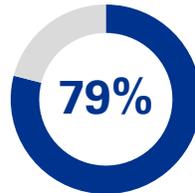
More recently, as Chart 1 shows, purpose has helped CEOs understand what needs to be done to meet the needs of stakeholders during the crisis, from employees to communities. **For Alison Rose, Group CEO at NatWest Group** — one of the oldest in the UK — purpose has, among other things, guided the response to their customers. "Purpose means listening really carefully to what customers are going through and ensuring we're giving them the right support and being responsible lenders," she says. "We put dedicated phone lines in for vulnerable customers and NHS (National Health Service) workers so that we can offer our help. We have a proactive calling program that reaches out to our most vulnerable customers, contacting over 300,000 of them." On the employee front, purpose means being aware of the support that her people need with the shift to wholesale working-from-home. "For leaders, there's a greater obligation to be more visible, empathetic and engaged, because you need to show you understand the impact on everybody's life," she explains. "Everyone is dealing with challenges, not just in their work environment, but also in their personal life."



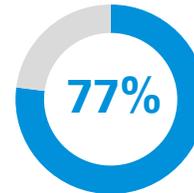
“For leaders, there’s a greater obligation to be more visible, empathetic, and engaged, because you need to show you understand the impact on everybody’s life.”

Alison Rose
Group CEO
NatWest Group

Chart 1: In light of the pandemic, CEOs believe that purpose is more powerful and relevant than ever



say they feel a stronger emotional connection to their purpose since the crisis began.



say their purpose has helped them understand what they need to do to meet the needs of stakeholders: employees, communities, customers, partners and investors.



say their purpose provides a clear framework for making quick and effective COVID-19 related decisions.

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition

Purpose has become a central pillar for CEOs: 79 percent say they feel a stronger emotional connection to their corporate purpose since the crisis began. At the same time, however, the massive disruptive impact of the pandemic has caused many CEOs to question whether their current purpose really meets the needs of stakeholders. In fact, 79 percent say they have had to re-evaluate their purpose as a result of COVID-19. Carefully listening to different stakeholders and encouraging dialogue, will be an important element of this re-evaluation, particularly if it becomes clear that the current purpose needs to be adjusted to better meet the needs of a stakeholder group.

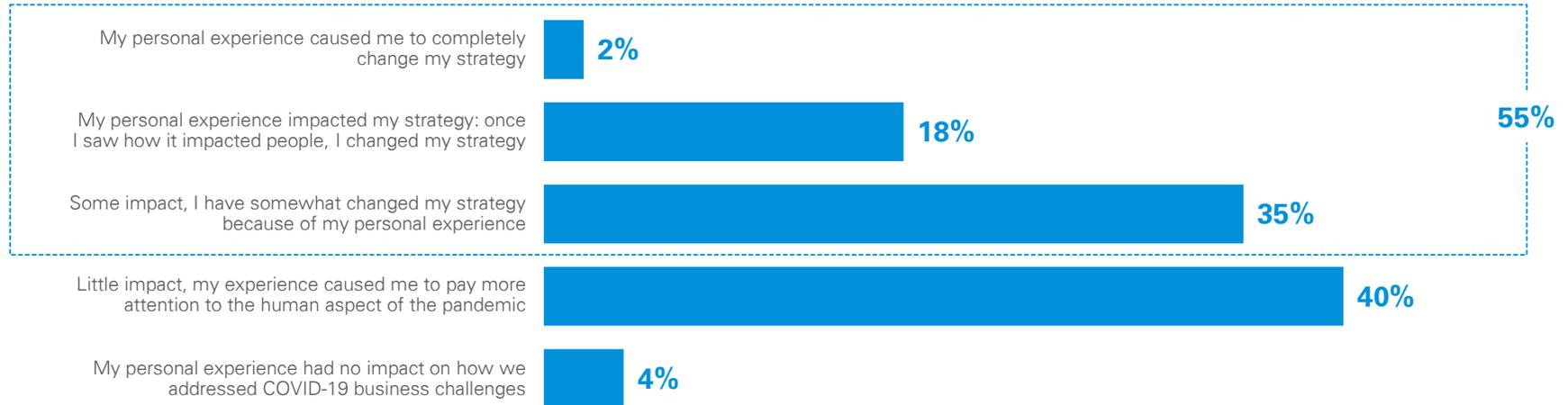
From empathy to action

This increasingly personal and emotional connection to purpose during the pandemic reflects the fact that CEOs face similar health and family challenges as their people and communities. In fact, well over a third of chief executives (39 percent) have had their health, or the health of one of their family, affected by COVID-19.

The pandemic will be remembered by many as a defining moment for this generation. CEOs are clearly determined to learn from the pandemic and their own personal experience to recalibrate and make not only the best-informed decisions, but also the most authentic ones. As Chart 2 shows, out of those who were personally affected by the health implications of the crisis, only 4 percent made no change to their approach to the pandemic. In all, 55 percent changed their strategic response, either completely or to some degree. Another 40 percent, while not changing their strategy, did pay more attention to the human aspect of the pandemic.



Chart 2: How CEOs changed their response to the pandemic as a result of having their health, or a member of their family's health, affected



Note: Sums to 99 percent because of rounding.

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition

At Zurich Insurance Group, CEO Mario Greco believes that caring and compassionate leadership of people is critical to protect his employees' well-being during the crisis and build a robust and motivated workforce for the future. At Zurich, this focus on protecting people's health translates into concrete actions. For example, the company offered — on a voluntary basis — testing for employees and their families. "The leadership challenge of the crisis is the sense of responsibility you have for protecting your people from health issues," he says. "This begins with reducing risk. As I have told my people many times — no one joins an insurance company thinking that it comes with a life risk."

Today's crisis also requires compassionate people leadership to address employees' deep-seated fears and anxieties. "Normally, if you meet people in a work situation, you talk business. Today, though, people are fearful about what the future holds for them and their families. Today, you need to be a people leader above all else."



“ We supported local communities through disinfection programs and various health and medical support initiatives. All in all, this reconfirmed our contribution and re-enforced the strong bond between our company and the community. ”

Andreas Shiamishis
CEO
Hellenic Petroleum

Standing up for equality

At the beginning of the year, we found that CEOs were increasingly prepared to personally lead the way in tackling society’s major challenges. Around two-thirds (65 percent) said that the public is looking to businesses to fill the void on societal challenges. At the same time, 76 percent said they had a personal responsibility to be a ‘leader for change on societal issues’.

During the pandemic, there are numerous examples of companies playing a significant role in their country’s response, from developing products and services for front-line workers to financial contributions. At **Hellenic Petroleum** — one of Greece’s largest refiners and traders of petroleum products — **CEO Andreas Shiamishis** had a number of priorities when it came to addressing the pandemic, including protecting his workforce, operational continuity and working capital. However, supporting society as it dealt with the crisis was also a major focus.

As a starting point, Hellenic Petroleum made a significant financial donation to Greece’s national health system, with the monies earmarked for much-needed medical equipment and supplies. But as well as its financial donation, Hellenic’s actions also strengthened the country’s ability to deal with the crisis. “We were nearly the only organization that from day one was focused on the testing of COVID,” he says. “In early March, we had already placed orders for very efficient testing equipment. By importing them early, we doubled the country’s capacity for tests.” He sees this contribution as critical to cementing the strong bond between Hellenic and its communities. “We supported local communities through disinfection programs and various health and medical support initiatives,” he explains. “All in all, this reconfirmed our contribution and re-enforced the strong bond between our company and the community.”

76 percent said at the beginning of the year, they had a personal responsibility to be a leader for change on societal issues.



“ We knew racial injustice was something we needed to talk about because we’re not going to accept it. ”

Hans Vestberg
Chairman and CEO
Verizon Communications

81 percent of CEOs say their organization has already or plans to publicly announce new anti-black racism measures.

Being able to draw on a diverse spectrum of talent is critical to addressing the unique challenges of the pandemic, and CEOs are looking to strengthen their anti-discrimination approaches. In the wake of widespread protests following the death of George Floyd on 25 May, 81 percent have either publicly announced new anti-black racism measures in 2020 or plan to do so in the near term.

For **Verizon Communications’ Chairman and CEO Hans Vestberg**, playing a critical role in tackling racial inequality was a logical extension of the company’s approach to major societal issues, its strategy, and its leadership philosophy. “When I have opinions about societal challenges, it’s when it’s part of my strategy,” he explains. “I was always an extremely strong advocate for diversity and inclusion. I’ve lived and worked in four continents, and I’ve learned that if you have seven people like me in the room, it’s just going to be a disaster. Diversity and inclusion is one of our leadership philosophies and part of our credo as a company, and so talking about it comes very naturally for us.”

Hans Vestberg, who was visibly emotional in a video announcement to his staff where he announced Verizon was committing US\$10 million to organizations that are dedicated to racial equality and social justice, believes that a strong stance is a moral imperative if you find something simply unacceptable. “We knew racial injustice was something we needed to talk about because we’re not going to accept it,” he says. “We’re really building diversity right here: our customer base is diverse and our company is diverse.”

For CEOs who had already introduced new diversity and anti-racism measures the top three areas actioned were:

- 1 Performance management
- 2 External interventions, such as donations
- 3 Supportive interventions, such as allyship training

Linking anti-racism measures to performance objectives can be used to set specific and measurable diversity targets and can ensure that supporting equity in the workplace is the responsibility of all leaders and managers.

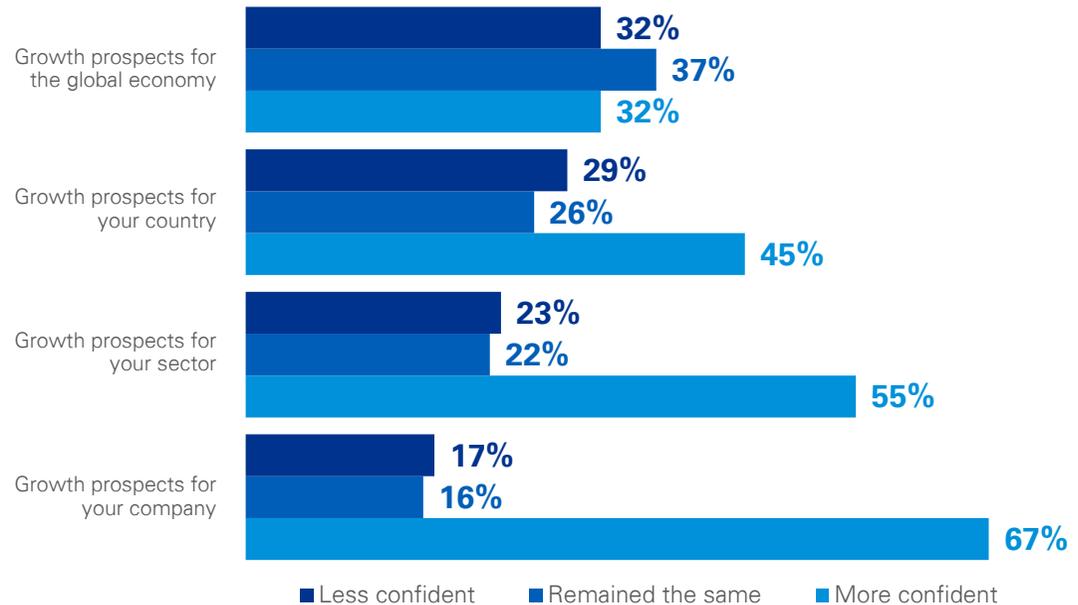


Prosperity

Growing in adversity

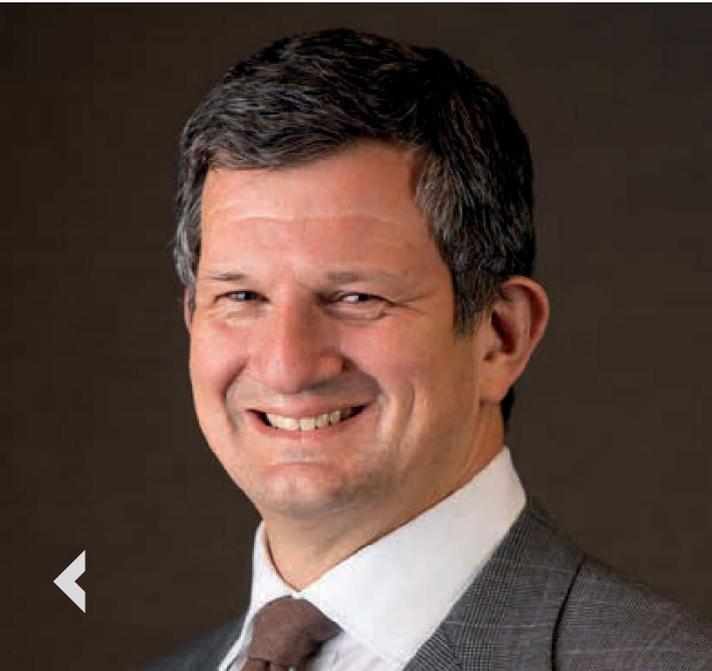
The survey finds that the COVID-19 crisis has shaken CEO confidence in global economic growth. Today, around one-third (32 percent) say they are less confident now about prospects for global growth over the next 3 years than they were at the start of the year. However, this loss of confidence is not as dramatic when CEOs consider what the future holds for their companies, with only 17 percent less confident today. They are clearly more confident in mastering their own company's fortunes, where they have more control and levers of influence.

Chart 3: CEO's confidence in global, country, sector and company growth over the next 3-years, compared to the beginning of the year



Original question asked in survey: In terms of growth prospects, please indicate your level of confidence in the following over the next 3 years, compared to the beginning of the year.

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition



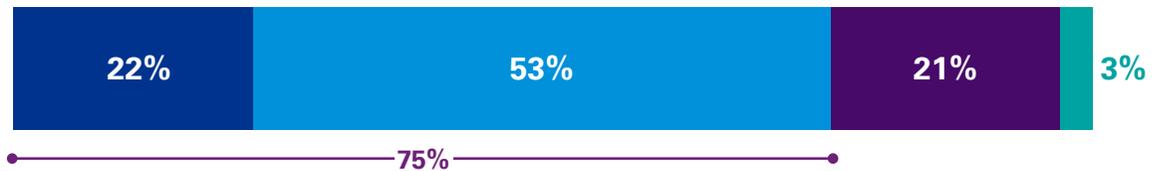
“Any resistance in our clients’ mindsets to moving to the cloud or the next generation of digital solutions has largely, if not entirely, evaporated.”

Steve Hasker
President and CEO
Thomson Reuters

Accelerating digital growth

As we saw earlier CEOs are more confident in their own businesses’ growth prospects over the coming 3 years. In part, this is because they have greater control over the levers that will determine this. One of the most critical levers they can control here, and a major growth driver, is digital acceleration. With commerce increasingly taking place online because of factors such as physical distancing, companies are having to rethink what customers want and how to deliver. We found that 75 percent of CEOs say the pandemic has accelerated the creation of a seamless digital customer experience, with over 1 in 5 (22 percent) of those saying progress “has sharply accelerated, putting us years in advance of where we expected to be”.

Chart 4: Accelerated progress on digital customer experience



- Progress has sharply accelerated, putting us years in advance of where we expected to be
- Progress has accelerated by a matter of months
- Progress is the same as before the pandemic
- Progress has lapsed

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition

At **Thomson Reuters**, digital transformation was already central to its growth strategy and operating model. But, as **CEO Steve Hasker** explains, shifts in customer attitudes and behaviors has accelerated its digital business model strategy. “With our customers, we’ve seen a major change in the acceptance of cloud-based, real-time, digitally delivered business information services,” he says. “Any resistance in our clients’ mindsets to moving to the cloud or the next generation of digital solutions has largely, if not entirely, evaporated. I think we’ve seen 3 to 4 years of progress in just 3 to 4 months, in terms of acceptance of what the new world needs to look like.”



“The leadership challenge of the crisis is the sense of responsibility you have for protecting your people from health issues.”

Mario Greco

Group CEO
Zurich Insurance Group

Mark A. Goodburn, Global Head of Advisory, KPMG International, points out that as well as driving customer-focused growth, digital technologies are a critical element of resilience — allowing, for example, greater operational flexibility in the face of disruption. “We can see that organizations are increasing their investment in digital transformation to future proof their businesses,” he says. “CEOs continue to scrutinize how to digitalize operations and how technological advancements can serve as accelerators in customer experience and employee engagement.”

The challenge for organizations is to focus efforts and investment on the areas that are capable of generating the most long-term value, while avoiding those areas that might just prove to be a short-term reaction to the pandemic. When we asked CEOs to name the greatest challenge they have faced in accelerating digital transformation, the biggest issue was ‘lack of insight into future operational scenarios’. Companies need to understand whether a COVID-related change — such as shifting customer behaviors — is evidence of a permanent trend that is emerging rather than just a temporary effect of the pandemic.

Shifting risks

As they plan their path to long-term growth, business leaders recognize that there have been new challenges to contend with during the lockdown. A potential second wave of COVID-19 in their key markets would likely deepen these concerns, with further adverse consequences in terms of retaining key employees, hiring talent and keeping their workforces productive.

In January, CEOs ranked talent risk behind 11 other risks to growth. However, since the start of the pandemic, talent risk has risen to be named as the most significant threat to their businesses ahead of supply chain, the threat of a return to territorialism and environmental risk (see Chart 5).

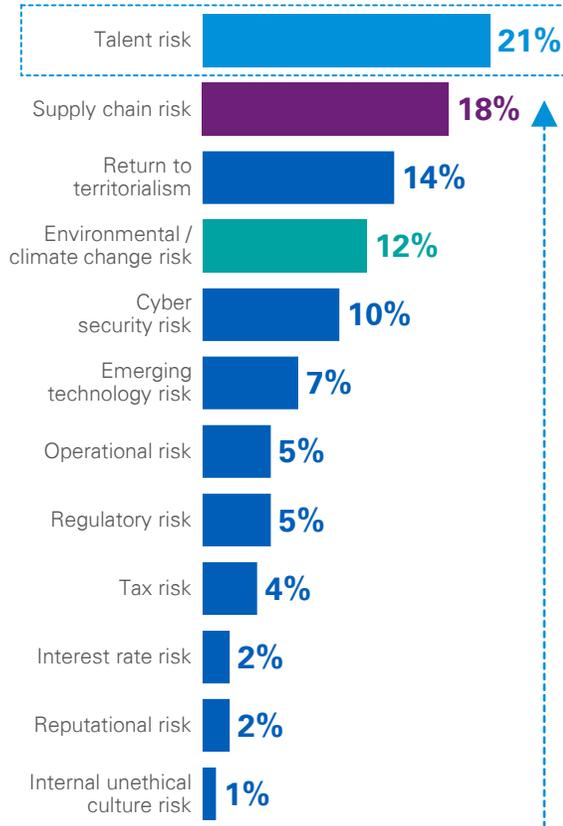
Supply chain risk has accelerated up the agenda from its ninth-placed position at the beginning of the year — it now occupies second place as a major strategic threat. Even before COVID-19, supply chain risk was in the spotlight as a result of increasing volatility, be it trade tensions or extreme climate-driven events. However, the pandemic has brought this issue into even sharper relief, as organizations desperately sought to maintain supply chain continuity in the midst of worldwide lockdowns.

Building resilient, flexible supply chains — ones that can withstand shocks and offer the agility to pivot to new opportunities — will be critical for organizations to drive growth and build a competitive advantage post-COVID. This will be particularly important in a world where CEOs are aware that increasing territorialism — which is their third-placed risk today — could make the transfer of goods both more difficult and more costly. We look further into this issue in the ‘Customer-centric supply chain’ section.

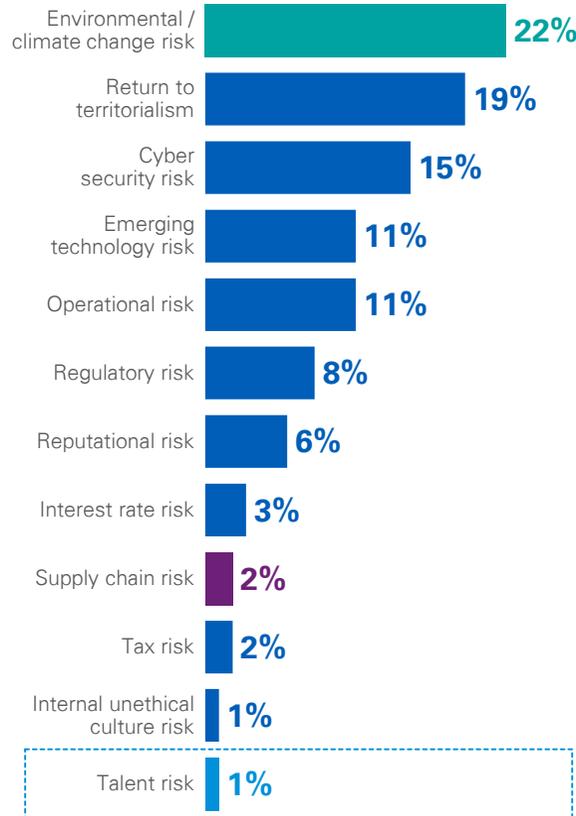


Chart 5: Changing threats to growth

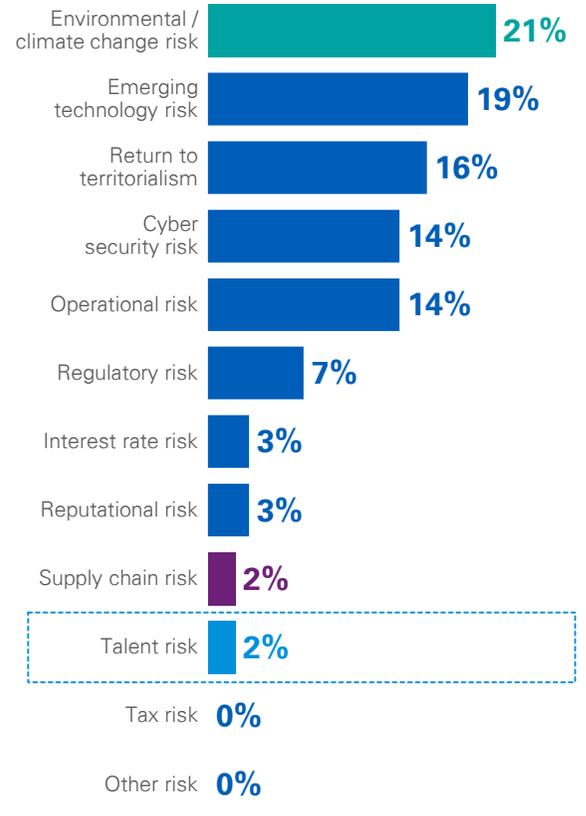
Greatest risk to growth today (July/Aug 2020)



Greatest risk to growth at the beginning of the year (Jan/Feb 2020)



Greatest risk to growth (2019)



Source: KPMG 2020 CEO Outlook COVID-19 Special Edition



“ We have always valued the idea of ‘Living Together’ and working not only for ourselves but for the world. ”

Goro Yamaguchi
Chairman
Kyocera Corporation

Gary Reader, Global Head of Clients & Markets, KPMG International, points out that while major risks have not disappeared, human or talent risk has assumed new importance in what is both a humanitarian and economic crisis. “This year’s report highlights that human and operational risks have been given greater priority by senior executives as a result of the pandemic. Geopolitical, tax, operational and regulatory challenges have not ceased to exist, but CEOs recognize that losing key employees and attracting specialized talent can have a critical impact on future business performance. Many leadership teams are concerned about the mental and physical wellbeing of their staff, but also recognize that unless they manage this properly, growth will likely be stunted.”

Managing talent risk requires that CEOs both focus on the now and the long-term future. Today, CEOs are acutely aware that talent will be key to driving long-term growth and building an organization that can thrive in a new reality. New digital talents will be needed to meet changing customer behaviors and needs. As automation of the operating model accelerates, upskilling and reskilling will be critical for people’s employability and effectiveness. To build a new organization, people’s willingness to learn continuously and their adaptability will be increasingly important attributes. Developing new learning content — and delivering it virtually — will be a critical step.

At **Kyocera Corporation** — an electronics and ceramics manufacturer that is one of Japan’s most successful companies — a determination to focus on talented employees is second nature and underpins a unique management philosophy. **Chairman Goro Yamaguchi** explains how the employee-centric philosophy of the company’s founder, Kazuo Inamori, a celebrated Japanese business leader and management thinker, still permeates the organization today, over 60 years on from Kyocera’s founding in 1959. “Our founder Kazuo Inamori came up with the ‘Kyocera Philosophy’ soon after the company’s founding, and has been disseminating this philosophy to all employees from when the company was still small up to the present day,” he explains. “The philosophy is based on our management rationale, which is ‘to provide opportunities for the material and intellectual growth of all our employees, and through our joint efforts, contribute to the advancement of society and humankind’.”

By focusing on people, Kyocera fulfills its wider role in the world. “We have always valued the idea of ‘Living Together’ and working not only for ourselves but for the world,” he says. “There are three types of co-existence — with society, with the world, and with nature — which we have been maintaining since the 1970s. A company cannot continue to exist without co-existing with society and with nature.”



Priorities

Leaning in to ESG

The pandemic has created what will be a career-defining economic challenge for most CEOs. Given the scale of that challenge, many were worried that chief executives would be forced to relegate the importance of environment, social and governance (ESG) themes. However, our research shows that CEOs are still very much engaged with this issue, and in particular the 'S' of ESG. Close to two-thirds (63 percent) said that their response to the pandemic has caused their focus to shift to the social component of their ESG program.

That is not to say that CEOs are being deflected from the 'E' of ESG. Chief executives are more than aware that climate change also offers a significant economic and humanitarian threat over the coming decades and that there is a need to rebuild organizations in a way that supports a new and sustainable economy. The seriousness with which they take the issue of climate change is reflected in the fact that many believe that managing climate-related risks is key to their own job security and long-term legacy. When we asked CEOs whether it was likely that managing climate-related risks will be a key factor in them keeping their job over the next 5 years, close to two-thirds felt it was indeed likely.

For Jane Lawrie, Global Head of Corporate Affairs, KPMG International, the continued focus on ESG during the pandemic — and the emphasis on the social dimension — reflects the fact that driving performance in these areas is key to demonstrating the power and impact of an organization's purpose. "CEOs have responded to the COVID-19 crisis by putting even more focus on purpose, helping to signpost to employees and stakeholders why their company exists and how it aims to contribute to the world at large," she says. "The survey shows that CEOs are prioritizing efforts across the ESG agenda as a real business imperative, with societal actions coming up alongside the environmental plans."

“The survey shows that CEOs are prioritizing efforts across the ESG agenda as a real business imperative, with societal actions coming up alongside the environmental plans.”



Jane Lawrie
Global Head of Corporate Affairs
KPMG International



“ESG has always been the core of any business we are involved in. On the ‘social’ side, we feel there is much more that needs to be done in areas such as gender parity.”

Sandro Salsano
President
Salsano Group

65 percent of CEOs say it is likely that managing climate-related risks will be a key factor in them keeping their job over the next 5 years

Sandro Salsano, President of Salsano Group, who has been dubbed the “Warren Buffett of Central America”¹ and whose **Salsano Group** holding company has stakes in over 100 companies in sectors ranging from technology to luxury goods — also believes that the crisis offers a unique moment in history to drive positive change in two areas: planet and people. In particular, he believes that we have a unique opportunity to drive the Environmental, Social and Governance agenda. “ESG has always been the core of any business we are involved in,” he says. “At the moment, for example, we are investing in vertical farming in the largest free trade zone in Central America, and we are also renewing our commitment towards clean oceans. On the ‘social’ side, we feel there is much more that needs to be done in areas such as gender parity.”

To move forward, CEOs are looking to double-down on the structural shifts that have emerged during the crisis — 71 percent say they want to lock in climate change gains that have been realized during the pandemic. Measuring and communicating the impact of environmental improvements, as well as social and governance performance, will be critical. Earlier this year at the World Economic Forum (WEF) in Davos, the WEF’s International Business Council published a paper with a proposed set of ESG metrics and reporting disclosures.² Led by the WEF and developed by a task force composed of subject matter experts from Bank of America, KPMG and the other Big4 accounting organizations, the paper identifies a set of ESG metrics. Adoption of these metrics can bring consistency, comparability and transparency to reporting of non-financial information and ESG aspects of business performance, critical to demonstrating long-term value creation.

¹ “El Warren Buffett de Centroamérica”, *Forbes*, 2 April 2019.

² *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation*, Consultation Draft, WEF, January 2020.

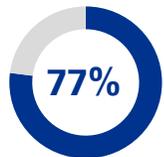
Source: KPMG 2020 CEO Outlook COVID-19 Special Edition



Future of work

COVID-19 has effectively forced many organizations to experiment radically with how work is done. For many organizations, virtual working kicked in literally overnight. With the pandemic transforming the world of work, 77 percent of CEOs say they will continue to build on their current use of digital collaboration and communication tools, and 73 percent believe that remote working has actually widened their available talent pool (see Chart 6).

Chart 6: CEOs see the pandemic as an opportunity to rethink the way we work and communicate



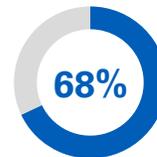
say they continue to build on their use of digital collaboration and communication tools.



say working remotely has widened their potential talent pool.



say they will be downsizing office space.



say their communication with employees has improved during the crisis.

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition

“The pandemic has given CEOs a clear sense of what is possible in the future of work,” says Nhlamu Dlomu, Global Head of People, KPMG International. “Organizations have, as a result of sheer necessity, made decisions faster, collaborated better, adopted new technologies faster and even eradicated long-standing hierarchies and silos. But the challenge now is to sustain those improvements over the long term. Defining a clear strategy for the future of work will be critical, with a focus not only on the digital technologies required, but also on strengthening internal trust, leading with empathy, re-inventing relationships with employees, managing diverse blended workforces and workplaces, supported by a clear purpose and values to ensure that employees remain motivated and ready to join the CEO on this journey.”

However, with advances in analytics, artificial intelligence, process automation, and the Internet of Things accelerating, the organization of the future will look very different: flatter, digitized and with a very different talent profile, potentially made up of fewer people with distinct new skills. CEOs will need to make some difficult people decisions and prioritize investment; focusing on bold and ambitious digital transformation moves. Two-thirds (67 percent) say they are likely to put their capital investment into technology versus developing their workforce's skills and capabilities (33 percent). Interestingly, this balance hasn't changed at all since the initial survey at the beginning of this year.

“Defining a clear strategy for the future of work will be critical, with a focus not only on the digital technologies required, but also engaged employees who are motivated and ready to join the CEO on this journey.”



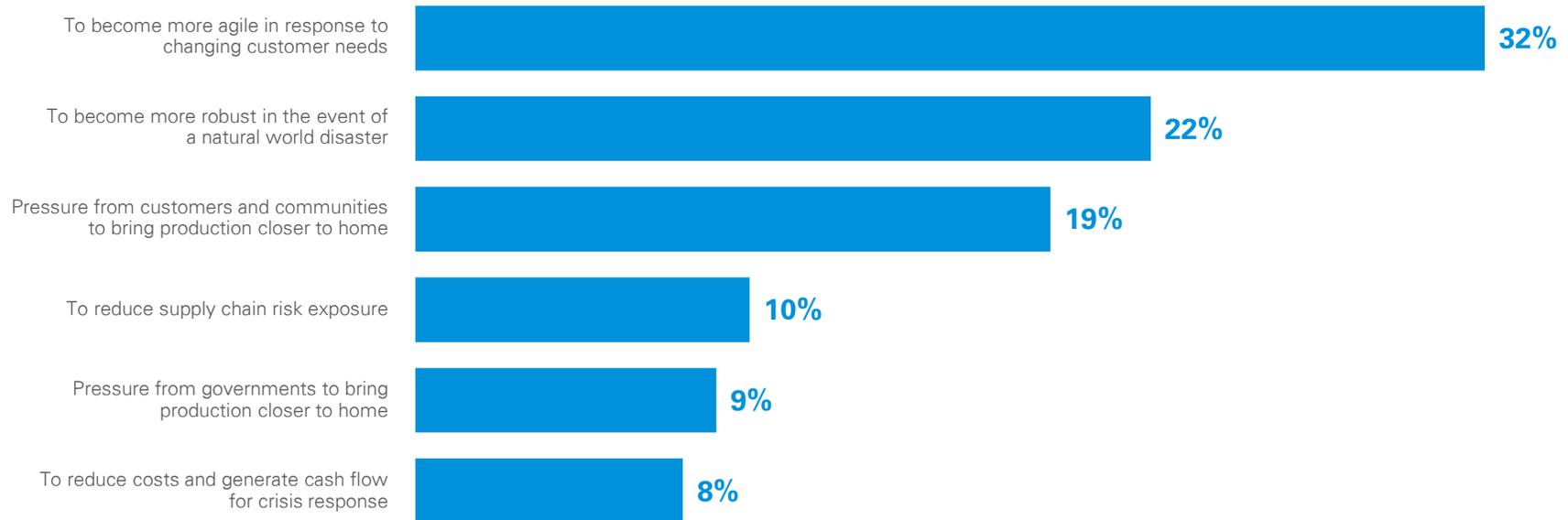
Nhlamu Dlomu
Global Head of People
KPMG International



Customer-centric supply chain

In terms of the future operating model, supply chains have also been hard hit: 67 percent say they have had to rethink their global supply chain. However, CEOs are using this opportunity to ask how their supply chain can become a competitive advantage in the new reality that emerges. When we asked CEOs to say what was driving this supply chain re-evaluation, the top-ranked reason was to 'become more agile in response to changing customer needs' and 'pressure from governments to bring production closer to home' was second from bottom (see Chart 7).

Chart 7: Reasons CEOs are rethinking their supply chains



Source: KPMG 2020 CEO Outlook COVID-19 Special Edition

Many companies, particularly those with complex supply chains, were likely focused on continuity issues and managing ongoing uncertainty and disruptions. However, as they look to the future, a number of areas are expected to become critical: stripping complexity and cost out of supply chains, building end-to-end visibility, investing in automation and other advanced technologies, and building agility into the network of suppliers and partners.



Reflections for the new reality

Purpose

While the pandemic has given companies the opportunity to demonstrate how they can make a real difference to society, scrutiny of corporate actions has also never been stronger. To maintain and build on the trust of employees, customers and communities, CEOs must demonstrate that their organization's purpose is meaningful, relevant and makes a difference. For some, this will mean moving from generic purpose statements to more specific and measurable approaches. Carefully listening to different stakeholders, and encouraging dialogue, will be an important element of making adjustments and managing any trade-offs that need to be met between different stakeholders. The pandemic has shown the power of purpose. However, it must be integrated into the fabric of the organization in order to succeed and the CEO must lead from the front to ensure it actually delivers.

Prosperity

With digital acceleration shaping the future of industries, organizations will need a deep understanding of how customer behavior will shift and how to meet these emerging demands. Data-driven insight — and scenario modelling — will be critical to understand what major shifts are likely to emerge. Pre-pandemic, the major challenge to many organizations' digital transformation was the burden and complexity of legacy IT and a continued struggle to manage their data effectively. These challenges have not gone away and organizations will need to focus on cybersecure IT transformation, across organizational silos drawing on cloud technologies and agile techniques. This is the time for organizations to reflect on their talent base and build a robust foundation of digital skills.

Priorities

Leaders need to ensure that we do not slip back from climate gains made as a result of the pandemic and instead build the foundations of a sustainable, green economy into the future. Companies can learn from how resilient (or not) their operating models proved to be during the crisis, to understand what areas would need strengthening to withstand environmental or climate challenges. With consumers increasingly focused on purpose-driven brands and sustainable products and services, companies are adapting their product and service portfolios in an effort to exceed those needs. At the same time, investors are increasingly focused on organizations' ESG performance, with a particular emphasis on the 'E' of climate risk. The pandemic has been a major crisis with huge humanitarian implications, but it has also been a time where sustainable and socially responsible companies have come into their own. Organizations that are building robust ESG reporting programs — along with resilient and flexible supply chains and a talent strategy that focuses on the people and skills needed for a more agile and virtual future — will be well positioned.



◀ In summary

In a time of great uncertainty, CEOs are having to make important decisions with long-term consequences. They are having to do their utmost to protect their people while facing massive economic pressure that could potentially threaten the future of their business. And they are having to reconsider their entire supply chain approach, at a time when movement of goods and people is restricted. As they answer those questions, and look to build a successful future, it is very clear from the research — as well as discussions with leading chief executives — that they are using purpose to guide their decisions. In the midst of both an economic and humanitarian crisis, they are putting people first: their employees, their customers and society as a whole. The COVID-19 crisis is redefining what good corporate leadership looks like.



Methodology and acknowledgments

The KPMG 2020 CEO Outlook provides an in-depth 3-year outlook from thousands of global executives on enterprise and economic growth. The survey offers a unique perspective on the mindset shift of global CEOs since the lockdown.

KPMG initially surveyed 1,300 CEOs in January and February, before many key markets were beginning to feel the full impact of the pandemic. In July and August (between 6 July to 5 August 2020), KPMG conducted a follow-up survey of 315 chief executives across the globe to understand how CEO thinking has evolved during the crisis. In both instances, all respondents have annual revenue over US\$500M and a third of the companies surveyed have more than US\$10B in annual revenue, with no responses from companies under US\$500M.

The January/February survey included leaders from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecommunications). The recently conducted pulse survey included CEOs across the industries mentioned above and from eight key markets (Australia, Canada, China, France, Italy, Japan, UK and US). NOTE: Some figures may not add up to 100 percent due to rounding.

KPMG would like to thank the following for their contributions:

Mario Greco, Group CEO, Zurich Insurance Group

Steve Hasker, President and CEO, Thomson Reuters

Alison Rose, Group CEO, NatWest Group

Sandro Salsano, President, Salsano Group

Andreas Shiamishis, CEO, Hellenic Petroleum

Hans Vestberg, Chairman and CEO, Verizon Communications

Goro Yamaguchi, Chairman, Kyocera Corporation



Singapore insights

Key findings

Purpose

Prosperity

Priorities

Reflections for
the new reality

Methodology &
acknowledgements



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