



DIRECTORS QUARTERLY

Insights from the
KPMG Board &
Governance
Institute

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Foreword

As we head into the last two months of a tumultuous and trying year, two factors will continue to dominate boardroom discussions. The first is *uncertainty*.

There is uncertainty around the availability and effectiveness of a COVID-19 vaccine, widespread macroeconomic uncertainties and major geo-political and trade tensions. No wonder CEO confidence has plummeted as shown in our latest 2020 CEO Outlook COVID-19 Special Edition.

The second word is *reset*. Many business leaders are using COVID-19 era as an opportunity to reset. They are reassessing their organisations' strategies around talent and work, and most importantly, redefining the corporate purpose.

While 2020 has certainly been a rollercoaster of a year, the top priorities for boards haven't changed. COVID-19 has shined a light on business plans and processes as well as board oversight that may need to be reassessed going forward, in order to drive long-term performance and value creation.



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2020 CEO Outlook COVID-19 Special Edition

COVID-19 has not only transformed the world, it has redefined leadership. We interviewed hundreds of CEOs from the world's largest companies to get their perspectives on how business priorities have changed and how organisations in Singapore are repurposing to make the most of the opportunities that a post-COVID-19 reality will bring. Overall, three key themes emerged from this year's survey, which we characterise as Purpose, Prosperity and Priorities. Key findings include:

Purpose

1 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 organisation's purpose and impact on social change.

2 Climate change efforts accelerated by COVID-19

Three in five CEOs in Singapore (60%) 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

3 CEOs in Singapore are less confident about the global economy

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

4 Company earnings' outlook in Singapore

As a result of geopolitical uncertainties and the inherent interdependencies in Asia, 28% of CEOs in Singapore are less confident about their companies' growth prospects.

5 Greatest threats: Supply chain and talent risks

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 spot.

Priorities

6 CEOs focused on digital transformation

Business leaders in Singapore are betting on major dimensions of digital transformation and 80% have seen their transformation programmes accelerate during the lockdown period. Two-thirds of CEOs are likely to put more capital investment into technology than they are into people.

7 New working reality

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

Findings in a snapshot

Growth & Digital



Digital workforce



Leading with purpose



56% vs **67%**
 are confident in the prospects of their companies



Only **52%** are confident in the prospects of the global economy

Only **28%** are confident in the prospects of the global economy

- Top risks**
1. Supply chain risk
 2. Return to territorialism
 3. Talent risk
 4. Operation risk
 5. Reputational/brand risk

80% of CEOs in Singapore reported that **their transformation programs have accelerated** during the lockdown period



Greatest challenge in accelerating digital transformation is the **lack of insight into future operational scenarios.**



COVID-19 has effectively forced Singapore CEOs to experiment radically with how work is done.

Almost 1 in 2 CEOs say that the pandemic has **accelerated the creation of a new workforce model.**



Remote working has caused **76%** to make **significant changes to policies** to nurture culture

36% will place more capital investment in developing their workforce's skills and capabilities

68% says remote working has **widened** their available talent pool



Companies may be **rethinking their office space in the short term** while also **considering the future of work.**

80% of Singapore CEOs feel a **stronger emotional connection** to their organisation's purpose.

80% used their corporate purpose to help drive action in addressing the needs of their stakeholders

84% said that purpose provided a clear framework for making COVID-19 related decisions

One in two CEOs say that purpose has helped them **understand what needs** to be done to meet the needs of stakeholders.



72% said that they have had to **re-evaluate their purpose** as a result of COVID-19 to better address their stakeholders' needs

60% said that **managing climate-related risks** will determine whether they keep their jobs over the next 5 years.



Infrastructure investment



With economies coming to a halt during this pandemic, infrastructure investment could become even more prominent as an effective tool to fast-track recovery. These are 5 key themes that will lay the foundation for infrastructure delivery in the post-COVID world and create long-term sustainable infrastructure.

1

Financial sustainability is paramount –

Most investors have focused on the financial robustness of their portfolios, ensuring additional lines of credit and excess liquidity to tide through the crisis.

2

Incorporating technology solutions to transform infrastructure service delivery for increased resilience and more efficient delivery.

3

Revisiting the new normal in pricing and returns expectations. Markets have not been able to truly assess the impact of this crisis yet, implying that the business case for projects may need to reassessed.

4

ESG and sector reforms will become a priority. Multilateral agencies (MLAs) have an important role in fast-tracking the reforms while ensuring minimal delays in project delivery.

5

Strengthened deal pipeline for diversified portfolios to drive the market. Given the quantum of dry powder available and level of interest in both emerging and developed markets, this presents a great opportunity.

For more insights, please refer to [Pandemic and the future of infrastructure as an asset class](#)

Taking a fresh look at third-party risk: A board's-eye view

Rapidly changing conditions have upped the ante on third-party risk management. While emergency measures were instrumental in managing third-party relationships through the first half of 2020, taking a fresh look at the company's vendors and supply chain will be critical as companies prepare for the recovery phase and the new reality.



Every company's situation is unique, but the company and the board may need to pay more attention to a number of third-party risks including:

- **Supply-chain risk:** Has the company conducted scenario modelling for the supply chain to understand critical risk points in the network?
- **Business continuity and resiliency risk:** How well have the company's third parties executed against their business continuity plans?
- **Financial risk:** Are any of the company's most critical third parties at risk of becoming financially insolvent?
- **Cybersecurity, data privacy, and IT risk:** Are third parties still meeting their contractual agreements related to controls around cybersecurity, data privacy, and IT?
- **Geopolitical and environmental risk:** Do the company's third parties have contingency plans in the event of major disruptions to their operations (and their own supply chains)?
- **Brand and reputation risk:** Where do third parties' standards and values around stakeholder issues diverge from those of the organisation?

Considerations for the board

- Does the company, including the board, understand the full extent of its reliance on third parties?
- Are the company's critical suppliers financially stable and able to weather economic stress and uncertainty?
- How has the company's third-party risk profile changed with the advent of COVID-19 and has management's risk assessment changed to keep pace?

For more resources and insights, please refer to [Taking a fresh look at third-party risk: A board's-eye view](#)

Reimagining the future, rethinking strategy

The intersection of COVID-19, calls for racial justice, and economic volatility have many asking whether the level of change and uncertainty in today's environment is temporary or a signal of permanent change to our way of life and the way we do business.

During the KPMG BLC September 10 webcast, Edie Weiner, CEO and founder of the futurist consulting firm The Future Hunters discussed the forces reshaping the business landscape and how boards and executives should be reimagining the future and rethinking strategy in light of these forces. Take-aways from this webcast conversation include:

Predictions for future trends

To inform directors' oversight of strategy, Weiner identified 10 trends she sees shaping business and society at large:

1. **Intergenerational cauldron:** Intergenerational dynamics are becoming increasingly unstable as life expectancy increases, the pace of technological innovation accelerates, and fallout from COVID-19 impacts younger and older generations differently.
2. **Visual literacy:** The ability to understand digital literacy—including GIFs, memes, and avatars—and avoid misunderstandings—such as recognising deepfakes—will become a growing imperative.
3. **Trust:** Advances in artificial intelligence (AI) and cyberattacks have made it difficult to believe what we see and hear—making trust a luxury. Employees will be hired based on whether they can be trusted to interpret and use data.
4. **Robots in the workforce:** The workforce will consist of humans and AI (in the form of robots or otherwise) working side by side, raising important questions of ethics and ownership of decision-making.
5. **Rise of the DICE:** Distributed income compensation enterprises (DICEs)—such as crowdsourcing, service provider networks, and the gig economy—are changing the context of work.

6. **Feudalism 2.0:** Business decisions based on algorithms will require regulation and increased transparency to mitigate issues such as bias.
7. **Environmentalism:** Anxiety and urgency to manage climate change is spreading among all generations.
8. **Public capitalism:** Related to the triple bottom line and conscious capitalism, public capitalism measures the company's returns to society (for better or for worse) along with financial returns.
9. **Technopsychology:** An emerging field at the nexus of mental health and technology.
10. **Popularism:** A movement where ideas, irrespective of political affiliation, are promoted and democratised.

Implications for strategy

In light of these trends, Weiner offered insight on how directors may want to reconsider the following aspects of their corporation's strategy:

1. Setting strategic planning horizons using three unique planning horizons with a different team working on each: 1–2 years out, 5–7 years out, and 15–25 years out.
2. Prioritising risks by inverting the board's view of enterprise risk management and scenario planning, and for board to consider a list of approximately 20 outcomes each year and how risk landscape will change.
3. Attracting and retaining diverse talent who are valued for their thinking.
4. For boards to truly understand and shape the organisation's culture, Weiner recommended looking at the "carrots and sticks," or what behaviours the organisation rewards and punishes.

The new reality for Customer Experience

KPMG’s global research shows that consumers believe that they will be living their lives very differently. In turn, they expect more from brands.

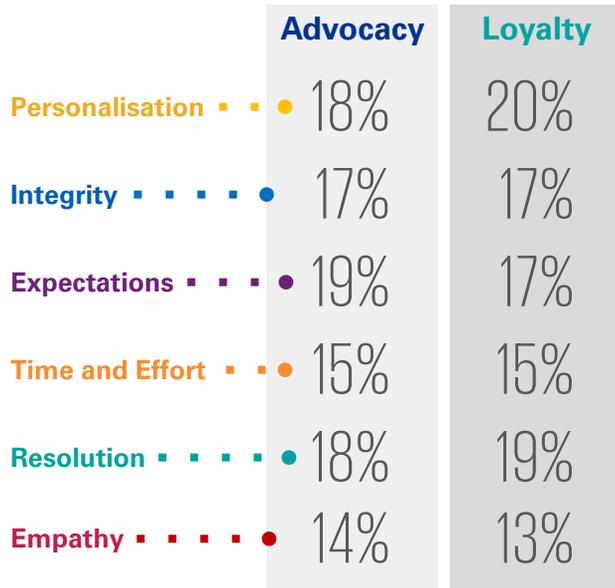


In our 2020 Customer Experience Excellence (CEE) Singapore Survey, we have noted three distinct trends in the way customers interact with brands:

- 1 Getting personal:** Companies need to learn quickly how to use the new influx of data to react better and make their communications more personal and relevant to the individual customer.
- 2 Earning trust through integrity:** Customers want to feel comfortable and safe in who they deal with. They want to know that their personal data is protected, how brands are responding to demands of COVID-19, and how brands are adhering to ethical, clean and sustainable practices.
- 3 Increased expectations of service:** Newly digitalised companies now find themselves on the same platform as other companies who have perfected their delivery standards.

Drivers in Singapore

Personalisation and Integrity are key in our market. For Advocacy – there is a shift of importance from Integrity (2019) to Expectations (2020).



Our report has shown, even in the midst of turmoil, brands can navigate the crisis by maintaining an unrelenting focus on their customers. [Click here to read more.](#)

Recent regulatory developments



Guidelines on Individual Accountability and Conduct (IAC)

On 10 September 2020, Monetary Authority of Singapore (MAS) released its guidelines on individual accountability and conduct (IAC). These IAC Guidelines will apply in full to all financial institutions (FIs), with some exceptions. As guidelines are outcome-based, FIs have the flexibility to establish policies and procedures to achieve the five outcomes as appropriate to the nature, size, and complexity of their operations.

About KPMG Board & Governance Institute (BGI)

The KPMG Board & Governance Institute (BGI) champions outstanding governance to help drive long-term corporate value and enhance investor confidence. Through an array of programs and perspectives — including KPMG’s Audit Committee Institute (ACI) and more — KPMG BGI engages with directors and business leaders to help articulate their challenges and promote continuous improvement of public- and private-company governance. Drawing on insights from KPMG professionals and governance experts worldwide, KPMG BGI delivers practical thought leadership — on risk and strategy, talent and technology, globalisation and compliance, financial reporting and audit quality, and more — all through a Board lens. Learn more at <http://kpmg.com.sg/bgi>.

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