KPMG 2024 CEO Outlook

Top CEOs see through global turbulence by betting big on AI

KPMG International

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Navigating a decade of disruption

Ten years of the KPMG CEO Outlook research shows CEO confidence in their organization's future, despite geopolitical and economic volatility.

From the race to embrace artificial intelligence (AI) to ever-mounting geopolitical concerns, the challenges faced by the CEOs of today are vast and complex. Alongside these external pressures, internal challenges such as upskilling the workforce and hybrid working are pushing CEOs to be agile and adaptable in their stakeholder management while also keeping an eye on long-term growth.

First launched globally 10 years ago, the **KPMG CEO Outlook** surveys more than 1,300 global business leaders overseeing companies with revenues of at least US$500M from some of the world's biggest economies and key industries.

The last 10 years have been defined by volatility, ranging from the economic and social shockwaves of the COVID-19 pandemic to the resurgence of inflation and geopolitical tensions. In the face of this, leaders have had to adapt to an unprecedented array of challenges that have not only placed greater pressure on CEOs' shoulders but driven a waning of confidence in the global economy.

Yet, global leaders remain resilient, leading their businesses on a path to sustainable growth. Global leaders continue to create a solid foundation by betting big on AI and bolstering their workforce to adapt to evolving business needs. This year's survey shows that CEOs are optimistic about their organization's future, with 92 percent of leaders looking to increase the overall headcount of their workforce, but also recognizing they need to future proof the skillsets of their people and demonstrate increased employee value proposition to attract and retain talent. Balancing ambition and appropriate caution will be key when it comes to ESG issues if CEOs want to avoid stakeholder criticism and, more importantly, do the right thing.

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The last ten years has been framed by a backdrop of volatility and change,

from a global pandemic to surging inflation and the rise of AI. In the face of such pressures, CEOs are steadfast about the need to invest in the future.

Turbulence calls for leaders to be more resilient, agile and innovative than ever before. As we look ahead to the next ten years, CEOs who set bold strategies to adapt to our fast-changing world and invest in the right technologies and talent to make their plans a reality, can deliver sustainable, long-term growth.

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Bill Thomas
Global Chairman and CEO
KPMG International

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There is no progress without changes:

Today's challenges - be it geopolitical volatility or rapid technological progress - have made us stronger and more resilient.

Central Asia and Caucasus cluster is becoming a focal point for investment and innovation due to its strategic location. For CEOs, the success of tomorrow depends on their ability to strengthen their teams with highly qualified talent, bold investments in advanced technologies and the ability to quickly adapt to new realities. In a world where the pace of change is constantly accelerating, flexibility and willingness to change are becoming key factors for success.

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Saken Zhumashev
CEO and Managing Partner
KPMG CCA

Economic outlook

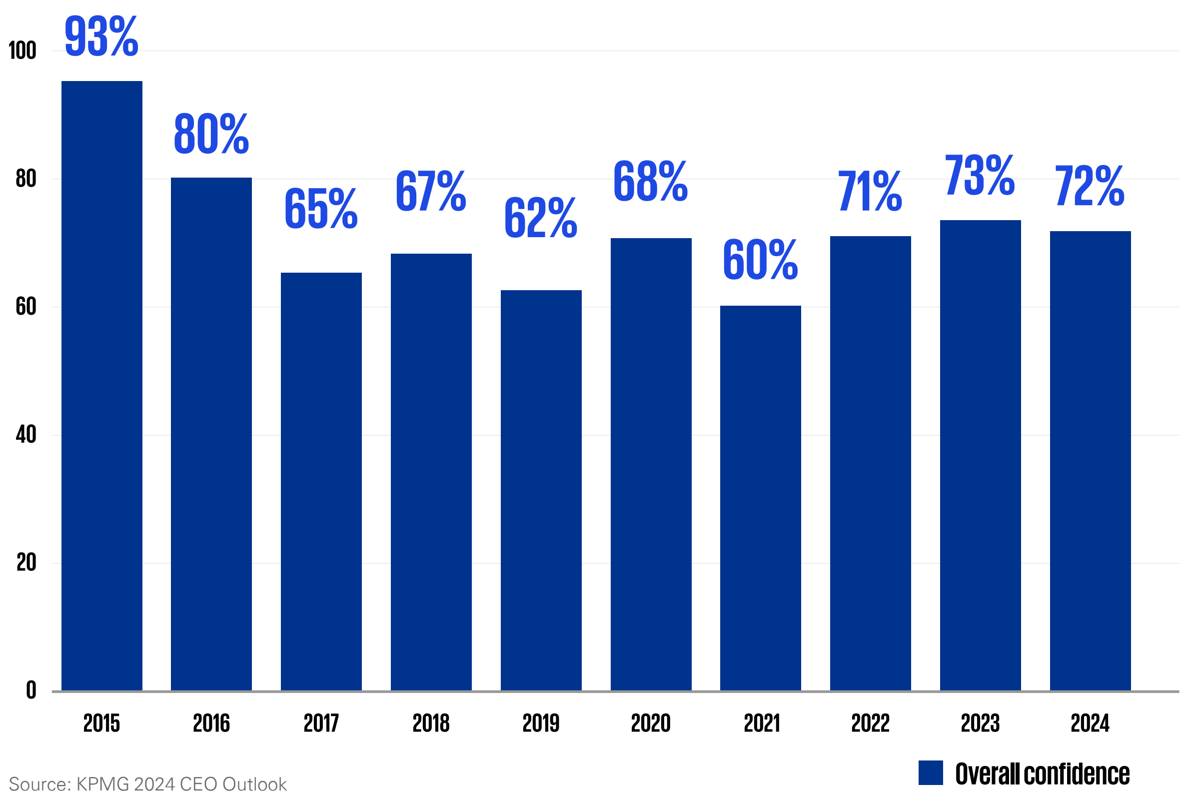
Business growth challenged by the pace of technology

Over the past decade, the confidence of CEOs in the global economy has waned, reflecting the growing complexities of the environment they face. While confidence has remained relatively stable over the past three years, with 72 percent of CEOs optimistic about the economy, this marks a significant shift from the robust 93 percent seen in 2015 when the survey first launched.

The growing complexity and variety of demands of leading a large organization are being felt keenly by CEOs, with almost three quarters (72 percent) confessing they feel under more pressure to ensure the long-term prosperity of their business.

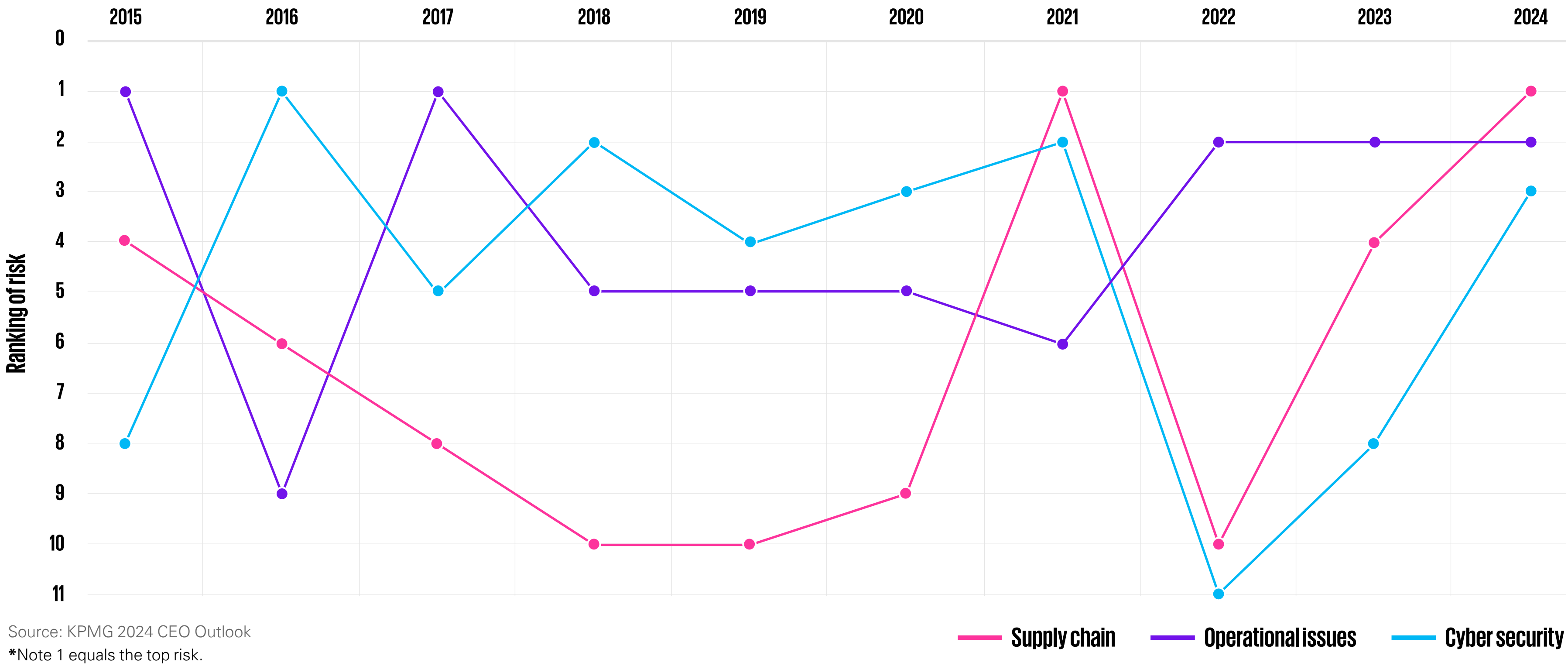
72% CEOs feel under more pressure to ensure long-term prosperity

CEO confidence in the global economy (2015-2024)



Source: KPMG 2024 CEO Outlook

How 2024's top threats to growth have evolved over the last ten years



Source: KPMG 2024 CEO Outlook
*Note 1 equals the top risk.

This additional pressure felt by CEOs could be attributed to an evolving list of threats to business growth with this year's survey showing that CEOs are the most concerned about the impact of supply chain disruption, and operational issues on their business' growth in the next three years, coming in above cyber security and even last year's number one threat — geopolitics and political uncertainty.

Ten years of survey data demonstrates how leaders have sought to create confidence in business growth, from increased investment in innovation and tech, to placing a fresh focus on the employee value proposition and renewing their commitment to ESG and sustainability as a source of value creation. Looking more closely at the next three years, respondents identified their top operational priorities as advancing digitization and connectivity across their business (18 percent), understanding and implementing generative AI across the business and upskilling their workforce (13 percent), and execution of ESG initiatives (13 percent). By futureproofing their business for a digital world and focusing on fostering and retaining great talent, CEOs not only address their immediate operational needs but also position their organizations for sustainable, organic growth.

Technology and generative AI

AI front and center as the urgency around adoption accelerates

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When KPMG first launched CEO Outlook ten years ago, AI technologies simply weren't something people were talking about.

Fast forward to today, and it's now front and center for business leaders, with workforces eager to embrace the seemingly endless possibilities the technology creates.

While I'm encouraged that the CEOs surveyed are taking AI so seriously and investing in innovation and technology, it's important that the rush to adopt doesn't come at the cost of genuine, ethical and transformative implementation. AI can add value to every aspect of business, but all employees need to be part of that journey. With the right upskilling and a focus on unlocking the true potential of AI, there's an opportunity for the business community to play a major role in shifting the world's economies back toward a trajectory of long-term, sustainable growth.

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David Rowlands
Global Head of AI
KPMG International

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We live in an era where AI and other advanced technologies play a key role in business transformation.

The impact of AI is often compared to the invention of electricity in terms of its scale of influence on humanity. In 2024, 64% of CEOs worldwide see AI as a crucial tool for achieving sustainable growth, regardless of economic conditions We are already witnessing how AI is changing traditional business processes, presenting companies with immense opportunities and serious challenges — from ethical dilemmas to the lack of necessary skills within teams.

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Konstantin Aushev
Partner and Head of Technology practice
KPMG CCA

For the CEOs surveyed, technological innovation has been the single most disruptive force over the past 10 years, with emerging and disruptive technology landing as a top three risk to growth in six of the past nine surveys.

When KPMG first launched the CEO Outlook a decade ago, AI was gaining traction with breakthroughs in areas such as image recognition, natural language processing and autonomous vehicles. In 2024, the majority (64 percent) of global CEOs indicated that they would invest in AI regardless of economic conditions. And while today's AI use-cases generate plenty of buzz in the public discourse, global CEOs recognize the need to seize the challenges that lie ahead, considering AI's potential to transform every aspect of our everyday life.

64%

of global CEOs indicated that they would invest in AI regardless of economic conditions in 2024

Workforce upskilling a key piece of the AI puzzle

Despite public concern around the risk of redundancies, CEOs recognize the transformative potential of AI and remain confident that it will not have a detrimental impact on the workforce, with over three quarters (76 percent) of CEOs anticipating AI will not fundamentally reduce the number of jobs within their organizations over the next three years. Yet, CEOs also recognize their workforce will need to adapt to fully harness the opportunity, as when asked about their organization's current AI readiness, only 38 percent of CEOs were confident that their employees have the right skills to fully leverage the benefits. Furthermore, 58 percent agree that the integration of generative AI has made them rethink the skills required for entry-level roles.

Where CEOs invest will be key

This growing commitment to AI shows that global CEOs are building on the capital expenditure momentum witnessed last year, as all CEOs say they plan to invest in AI in some form. They recognize AI's potential to increase efficiency and productivity (16 percent), upskill the workforce for future readiness (14 percent) and increase organizational innovation (13 percent). However, a majority of CEOs (63 percent) acknowledge that an ROI in AI is unlikely for at least three to five years — in line with last year.

Ethical implementation of AI a concern for most

Amid growing concerns about the ethical use and implementation of AI, CEOs are increasingly aware of the risks tied to its rapid adoption. Well over half (61 percent) identified ethical challenges as some of the most difficult issues to address when implementing AI within their businesses — an increase from 57 percent in 2023. Additionally, concerns over a lack of regulation (50 percent) and insufficient technical skills and capabilities (48 percent) further complicate the path forward.

76%

of CEOs anticipate AI will not fundamentally reduce the number of jobs within their organizations over the next three years

Talent

CEOs doubling-down on the return-to-office debate

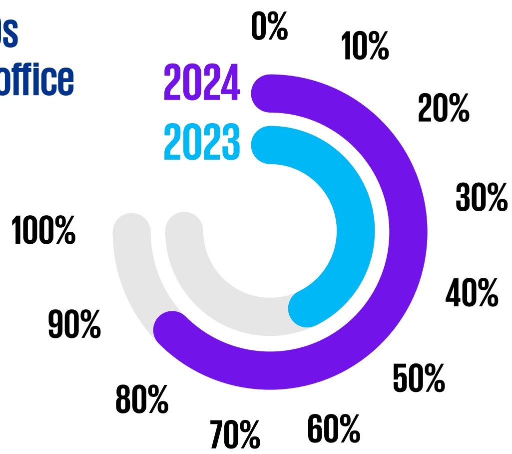
> **This year's findings highlight a widening gap between the expectations of CEOs and their employees.**
>
> The world is changing at pace and the employee-value-proposition is changing with it. The successful leaders of tomorrow will be those who understand that their talent dilemma can only be solved by investing in, nurturing and supporting talent through a 'social contract' that understands today's employees don't just desire, but expect a more agile, flexible working environment and a better work-life balance – especially in the midst of a pervasive cost of living crisis.

Nhlamu Dlomu
Global Head of People
KPMG International

Since 2015, as employees have demanded more flexibility in working patterns and a stronger alignment between personal beliefs and organizational purpose, successful leaders have adapted well to this shifting workforce dynamic. The leaders who prosper are those who put people at the heart of their growth strategy and evolve their social contract to keep up with the evolving expectations of current and future talent.

However, the leaders surveyed show that the return-to-office debate continues to give food for thought. This years' findings reveal that CEOs are hardening their stance on returning to pre-pandemic ways of working, with 83 percent expecting a full return to the office within the next three years — a notable increase from 64 percent in 2023.

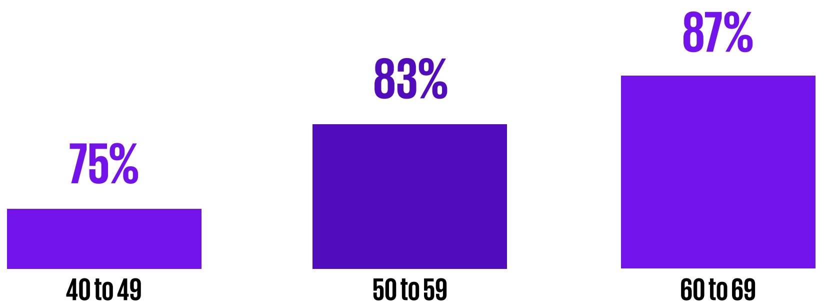
Overall percentage of CEOs predicting a full return to office over the next three years



Source: KPMG 2024 CEO Outlook

And this expectation only increases with age: 75 percent for those aged 40 to 49, 83 percent for those aged 50 to 59, and 87 percent for those aged 60 to 69. Interestingly, there is also a gender split emerging in this debate: while 84 percent of male CEOs predict a full return to the office within three years, only 78 percent of female CEOs anticipate the same shift back. Furthermore, 87 percent of respondents say they are likely to reward employees who make an effort to come into the office with favorable assignments, raises or promotions.

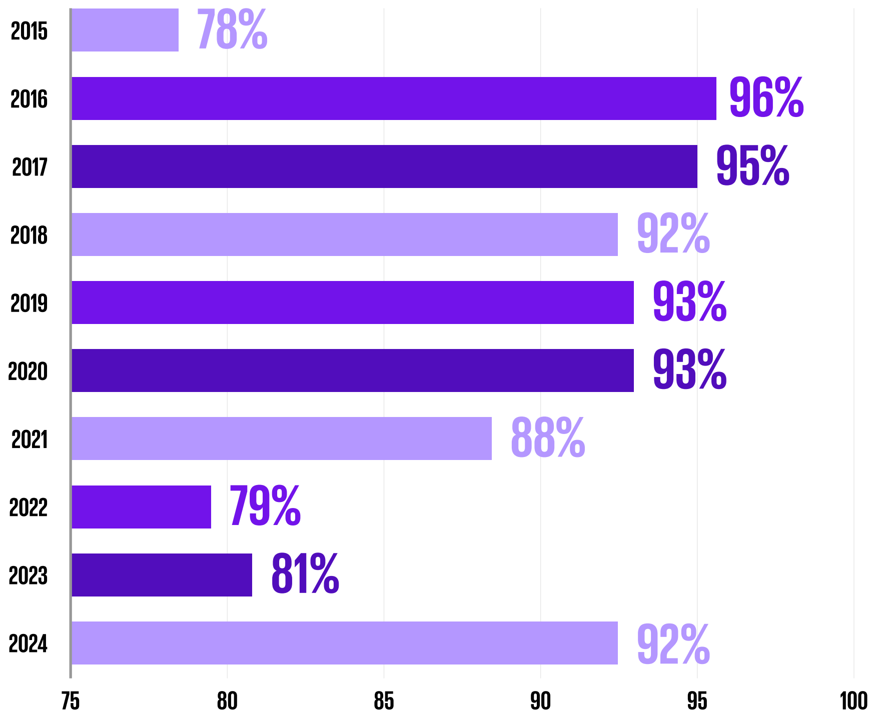
Generational difference on the back to office debate



Source: KPMG 2024 CEO Outlook

CEOs also acknowledge that other talent-related issues could affect future growth and competitiveness. Almost a third of them say they are concerned about labor market shifts — specifically the number of employees that will soon retire, and the lack of skilled workers available to replace them. In response to this talent shortage, 80 percent of CEOs agree that organizations should be investing in skills development and lifelong learning within local communities to help safeguard access to future talent. With this local commitment, 92 percent of leaders hope this will help to increase the overall headcount of their workforce over the next three years.

CEOs 3-year outlook on expected headcount growth from 2015-2024



Source: KPMG 2024 CEO Outlook

ESG

Navigating an increasingly politicized landscape

This year's findings expose the reality of navigating environmental, social and governance priorities in today's climate. Alongside a growing awareness of ESG's impact on trust and reputation, the increasingly politicized nature of the ESG agenda is heightening the pressure felt by today's leaders.

In 2015, CEOs ranked environmental risk as their least concerning priority risk; fast-forward to 2024 and almost a quarter (24 percent) acknowledged that the principal downside of failing to meet ESG expectations would be giving their competitors an edge, coming out ahead of threat to their own tenure (21 percent) and recruitment challenges (16 percent).

It's clear that leaders are willing to take action when it comes to ESG, with three quarters (76 percent) of CEOs saying they would be willing to divest a profitable part of the business that was damaging their reputation. More tellingly, a majority (68 percent) indicate that they would take a stance on a politically or socially contentious issue, even if the Board raised concerns with them doing so. The survey also shows that today's CEOs recognize just how vital ESG is to value creation — just under a quarter (24 percent) cite giving their competitors an edge as the principal downside of failing to meet ESG expectations.

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The tenth anniversary edition of the KPMG CEO Outlook highlights how much progress the business community has made on ESG and sustainability.

Only a few years ago, environmental, social and governance commitments were regarded as a badge of honor which was not necessarily integrated into company's strategy. Today, our findings show that ESG is a top priority with purposeful, sustainable growth remaining a core ambition for global business leaders.

However, in 2024, we're seeing growing politicization and polarization of issues such as social mobility and climate change, and this is creating fresh new challenges for CEOs who are already under pressure to perform. The good news is that this survey shows that CEOs are remaining steadfast on the importance of sustainability they continue to demonstrate resilience and agility, for example, shifting how they communicate their efforts, rather than ditching their commitments. "

John McCalla-Leacy
Head of Global ESG
KPMG International

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Environmental, social, and governance (ESG) issues are becoming key aspects of strategic business planning.

Interest in ESG has increased significantly in recent years, and many CEOs recognize that ignoring ESG commitments can lead to a loss of competitiveness. However, in 2024, the growing politicization of issues such as social mobility and climate change is putting additional pressure on company leaders.

In Central Asia, attention to ESG principles continues to grow. In 2024, COP29 will be held in Azerbaijan — a key climate change event, emphasizing the importance of regional cooperation and sustainable development. "

Gabit Musrepov
Partner,
Head of Corporate Governance and ESG Practice
KPMG CCA

Two thirds (66 percent) of CEOs admit they aren't prepared to withstand the potential scrutiny and expectations of shareholders when it comes to ESG, suggesting they will take action to mitigate this. Interestingly, there are emerging generational differences among CEOs, with 43 percent of younger leaders (aged between 40 and 49) feeling more confident they can take on scrutiny around ESG compared to 33 percent of CEOs aged 50-59 and 30 percent of those aged 60 to 69.

We're also seeing a growing level of politicization and polarization of issues such as social mobility and climate change, and it's creating challenges for CEOs who are already under pressure to meet or reassess established targets. As a result, some global CEOs are shifting how they communicate their ESG efforts. In this year's survey, 69 percent reveal that while they've retained the same climate related strategies over the last 12 months, they've adapted the language and terminology they use internally and externally to meet changing stakeholder needs. For example, political and social forces have pushed some businesses to change the language they use, with some organizations preferring to use general terminology such as "sustainability" over the more encompassing term of "ESG."

68% of CEOs say they would take a stance on a politcally or socially contentious issue, even if the Board raised concerns with them doing so.

CEOs perspectives on ESG

69% Have adapted the climate-related language and terminology used to meet changing stakeholder needs.

66% Of CEOS admit they aren't prepared to withstand potential shareholder scrutiny.

Finally, 30 percent say the greatest barrier to achieving their climate ambitions is the complexity presented by the decarbonization of their supply chain — an issue further compounded by current geopolitical tensions around the world and activities impacting major global trade routes. As we head into 2025, it will be interesting to see how this impacts opinions and organizations overall, as ESG reporting begins to take hold across the globe.

Methodology

About the KPMG 2024 CEO Outlook

The 10th edition of the KPMG CEO Outlook, conducted with 1,325 CEOs between 25 July and 29 August 2024, provides unique insight into the mindset, strategies and planning tactics of CEOs.

All respondents have annual revenues over US$500M and one-third of the companies surveyed have more than US$10B in annual revenue. The survey included leaders from 11 markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, the United Kingdom and the United States) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecommunications).

NOTE: Some figures may not add up to 100 percent due to rounding.

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