



UK CEO Outlook 2020

COVID-19 pulse survey: How has the pandemic changed the priorities of the UK's chief executive officers?

KPMG in the UK

home.kpmg/uk/ceooutlook2020



Foreword



Bill Michael
UK Chairman and Senior
Partner
KPMG in the UK

How has the pandemic changed the priorities of the UK's chief executive officers?

As UK CEOs continue to focus on recovering from the impact of the pandemic and building more resilient businesses, for many the priority remains how to manage capital and preserve cash. But they're also looking to the future and how they'll need to adapt to thrive in the new reality of a post-COVID-19 world.

Faced with ongoing uncertainty, UK CEOs are finding having a purpose more important than ever in how they steer their businesses. They're using that purpose to frame a re-evaluation of their strategies and how they operate. They're placing a large emphasis on how they can develop their talent and how to accelerate their digital capabilities to create more sustainable and agile businesses. They're making these changes at a speed often unthinkable before the pandemic.

In July and August 2020, KPMG International conducted a pulse survey of 315 chief executives across the globe, to understand how their thinking has evolved during the crisis. Below we provide the UK view, based on responses from 50 UK CEOs.

Contents

Key findings	04
Renewed sense of purpose	05
Accelerating digital transformation	07
Rethinking supply chains	10
Talent and the new reality for work	12
The ESG challenge	14
Survey methodology and acknowledgments	15
Contacts	16

Key findings for UK CEOs

Purpose provides a clear framework for making quick and effective COVID-19 related decisions

84% say that purpose provides a clear framework for making quick and effective COVID-19 related decisions.

The pandemic has sharply accelerated digital transformation

80% say the pandemic has accelerated the creation of a seamless digital customer experience, while 48% say it has 'sharply' accelerated digitisation of operations, putting UK businesses 'years' in advance of where they expected to be.

UK CEOs are rethinking their global supply chain approach

Aside from the pandemic itself, supply chain risk was ranked as the #1 threat to growth over the next three years. 92% say the disruptive impact of the pandemic has forced them to rethink their global supply chain.

Talent risk rises ten places, ranked as the second largest threat to businesses

In January 2020, CEOs ranked talent risk behind 11 other risks to growth. They now see it as the second biggest threat to their businesses.

ESG remains a priority for UK CEOs

78% say that managing climate-related risks will play a part in whether they keep their jobs or not over the next five years.

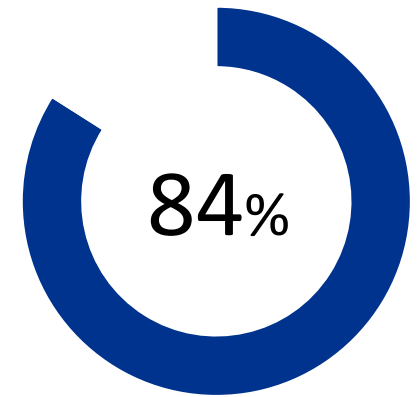
Renewed sense of purpose

UK CEOs have felt a stronger emotional connection to their organisation's purpose since the pandemic began and have used it to help them navigate the many challenges the crisis has brought their way.

Over four-fifths (84%) agree that purpose provides a clear framework for making quick and effective decisions in response to COVID-19. It's helped them better understand and empathise with the needs of their customers, employees, partners and investors. And it's helped them better understand the needs of the communities in which they operate too.

What's evident is how many UK CEOs value having a strong sense of purpose compared to some of their global counterparts. Yet the pandemic has also given them cause to stop and reassess their organisation's purpose. 82% agree that they had to re-evaluate their purpose as a result of COVID-19 to better address the needs of their stakeholders.

Listening carefully to all of their different stakeholders and encouraging open dialogue, will be an important part of this re-evaluation.



of UK CEOs agree that purpose provides a clear framework for making quick and effective decisions in response to COVID-19

- 74% believe that there is a stronger emotional connection to their organisation's purpose since the crisis began.
- 86% agree that 'our purpose has helped us understand what we need to do to meet the needs of stakeholders: employees, communities, customers, partners and investors'.



“ For leaders,
there’s a greater
obligation to be
more visible,
empathetic and
engaged ”

Alison Rose
Group CEO
NatWest Group
(formerly RBS)

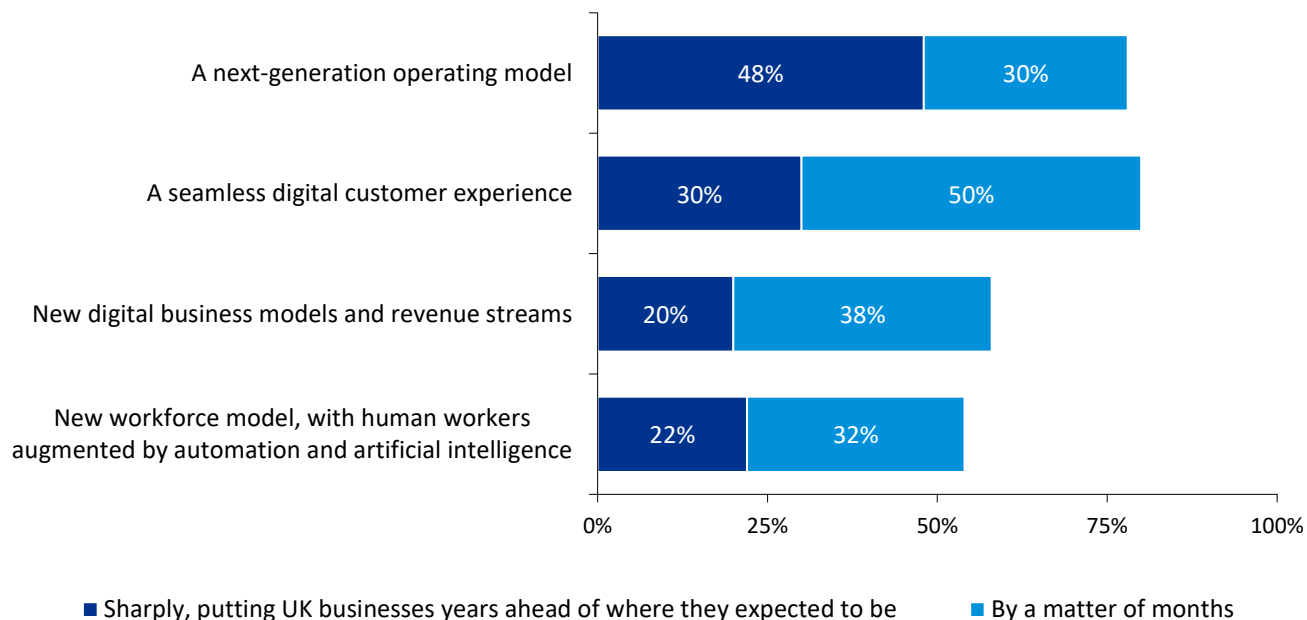
Accelerating digital transformation

As well as ensuring they have a more compelling purpose, UK CEOs are looking to digital transformation to help them respond to the changing market as they strive for growth.

As businesses have dealt with the impact of the pandemic, including how and where their people work and rethinking how they serve their customers, the importance of enterprise-wide digital transformation has become increasingly evident. Four-fifths (80%) of UK CEOs say the pandemic has accelerated the creation of a seamless digital customer experience.

There's also been a strong focus on how digital transformation can deliver more resilient operating models, provide new revenue streams and enable the workforce of the future. And UK businesses have risen to the challenge, implementing new technologies at breakneck speed. 48% of UK CEOs say this sharp acceleration has put them years in advance of where they expected to be. 78% (Global, 81%) say that the pandemic has accelerated digitisation of operations and the creation of a next-generation operating model.

The pandemic is accelerating digital transformation





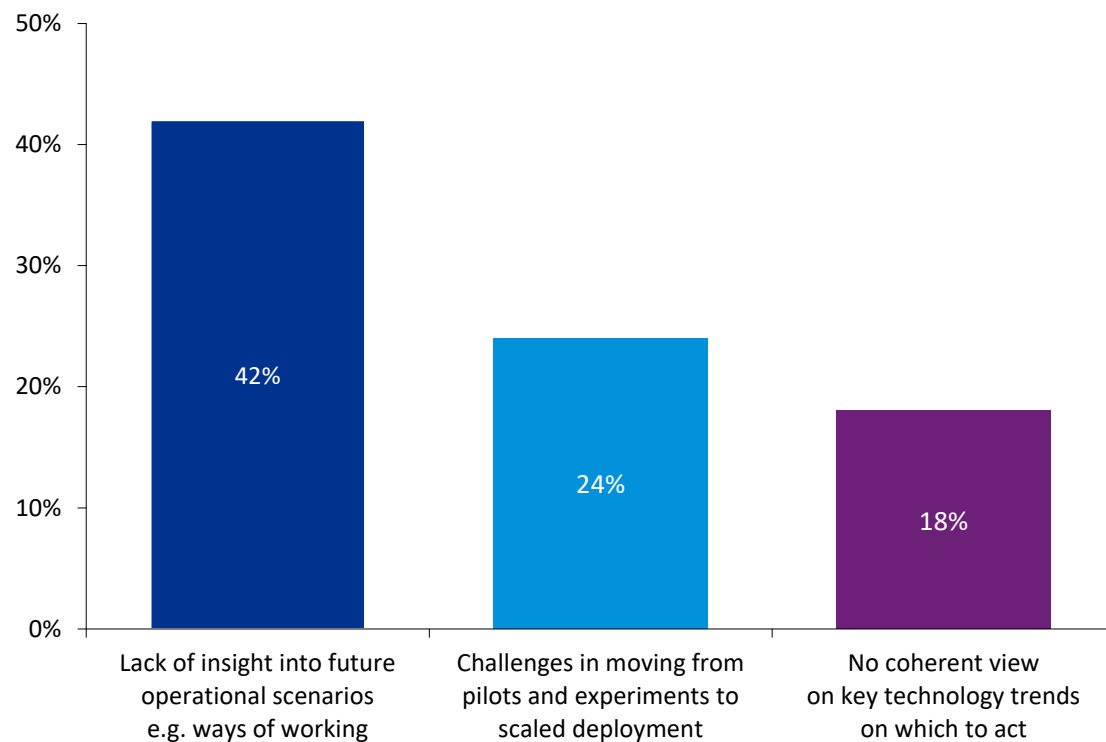
80% of UK CEOs say
the pandemic has
accelerated the creation
of a seamless digital
customer experience.

Maintaining the pace of change

One of the challenges for CEOs is to identify where to invest and expend effort. Which investments will only provide short-term benefits as an immediate reaction to the pandemic and which will generate long-term value?

UK CEOs say the greatest challenge they've faced in accelerating digital transformation is 'lack of insight into future operational scenarios'. They recognise the need to keep up the pace of digital change in moving from pilots to scaled deployment.

The biggest challenges UK CEOs face in accelerating digital transformation



“ 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. ”

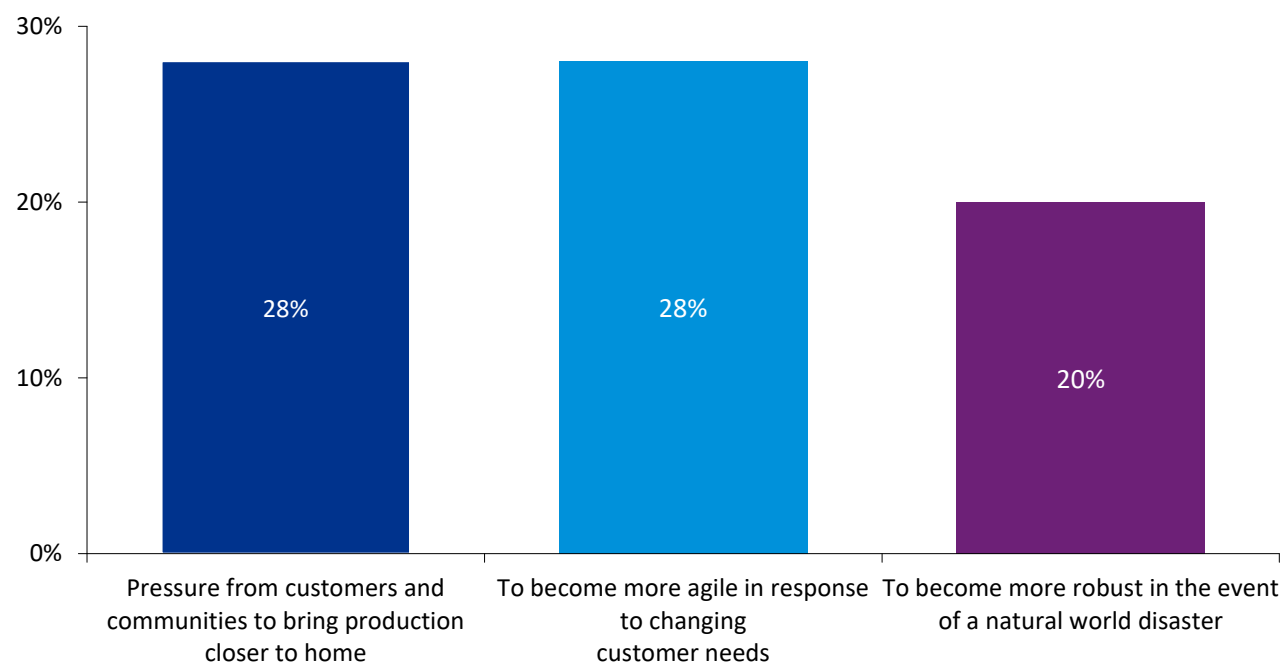
Steve Hasker
President and CEO
Thomson Reuters

Rethinking supply chains

Unsurprisingly, the pandemic has changed CEOs' outlook on the biggest risks to their business. When we surveyed them at the beginning of 2020, UK CEOs didn't rank supply chain risk as even a top-ten threat and now they consider it the biggest threat to growth over the next three years. Perhaps with Brexit in mind, it appears to be of particular concern for UK CEOs. 92% of them say they've had to rethink their global supply chain due to the disruptive impact of COVID-19, compared to 67% across our global sample.

COVID-19 has highlighted the importance of building resilient, flexible supply chains – ones that can withstand shocks and offer the agility to pivot to new opportunities. That's going to be critical for UK businesses that face continued uncertainty in the shape of Brexit. It's also going to be important to meet changing customer demands. UK CEOs appear to be feeling under greater pressure than those in other countries to bring production closer to home. They ranked it as their joint top reason for rethinking supply chains.

The top three reasons for 'rethinking' supply chain strategies





92% of UK CEOs say the disruptive impact of the pandemic has forced them to rethink their global supply chain.

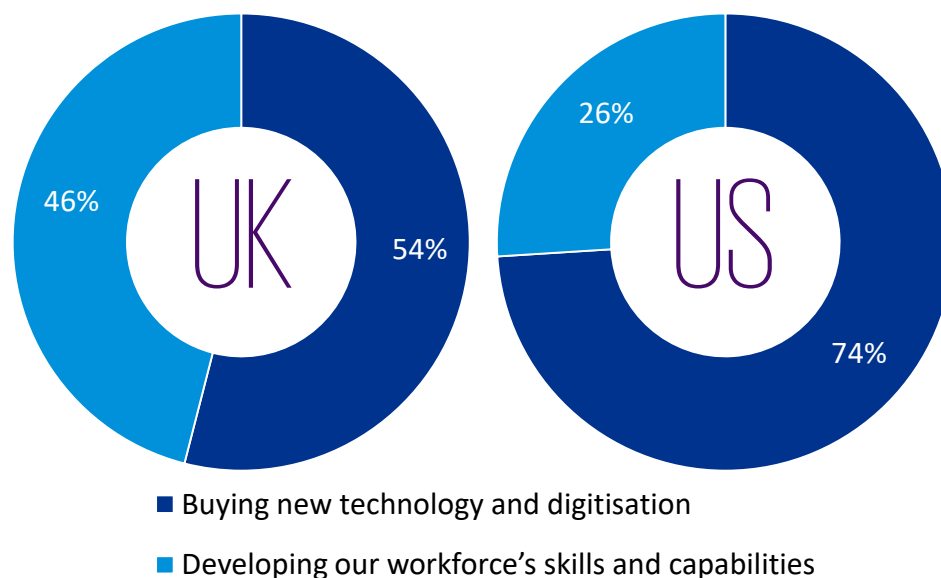
Talent and the new reality for work

UK CEOs ranked talent risk as the second biggest threat to growth over the next three years. When we surveyed them at the beginning of 2020, before the pandemic, this was the risk they were least concerned about. It also ranks as the second biggest threat for US CEOs and is top of the list across our global sample.

CEOs are acutely aware that talent will be key to driving long-term growth and building an organisation that is fit for the future. The increase of remote working accelerated by the pandemic opens up the market much more and makes talent retention a hotter issue. It's already evident that some of the jobs people are doing today won't still exist in the not-too-distant future. And accelerated digital transformation will require a more digitally savvy workforce. As automation of operating models accelerates, upskilling and reskilling will be critical for people's employability and effectiveness.

It's apparent that UK CEOs recognise the importance of developing their employees' skills and capabilities to survive and thrive. Asked what investments they would prioritise to meet their strategic objectives, UK CEOs were split almost 50:50 between buying new technology and developing workforce skills. That's in stark contrast to the US, where almost three-quarters of CEOs are prioritising digital investments.

Which of the following investments are you prioritising?

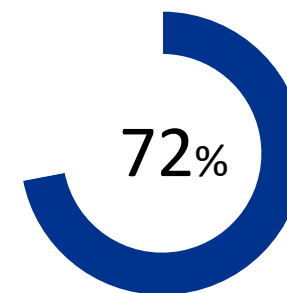


‘Talent risk’ was the threat that UK CEOs were least concerned about in January 2020. It is now ranked the second biggest risk – up 10 places.

The workplace of tomorrow

For many organisations, lockdown saw remote working kick in literally overnight. That has forced businesses to make significant changes to the way they work and communicate with their employees. UK CEOs acted quickly, and many say they will continue to build on the use of digital collaboration and communication tools as we migrate to a more digital workplace.

Almost three-quarters (72%) of UK CEOs say they’re planning to downsize office space. That could see remote working become the new normal for many employees. CEOs are embracing the positives this could bring, including access to that wider talent pool. Of course, this may not benefit all locations or industries – with some seeing local talent disappear. And for many businesses, the very nature of their work makes remote working unrealistic.



of UK CEOs are planning to
downsize their office space

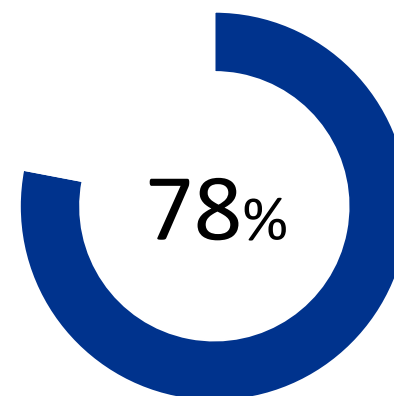
- 74% said remote working has caused them to make significant changes to policies, to nurture their culture.
- 58% said that their communications with employees have improved during the crisis.
- 78% said they will continue to build on their current use of digital collaboration and communication tools.
- 78% believe that remote working has widened their available talent pool.

The ESG challenge

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 the environmental, social and governance (ESG) agenda would fall down the corporate agenda. The responses of the UK CEOs suggest that's not the case – with ESG remaining firmly part of their purpose. 78% say that managing climate-related risks will play a part in whether they keep their jobs or not over the next five years. That's ahead of the global average of 65%. And 60% of UK CEOs say they want to lock in climate change gains made as a result of the pandemic.

The pandemic has also brought greater emphasis to the 'S' of ESG – social – with almost three-quarters (74%) of CEOs saying their response to the pandemic has caused their focus to shift to the social component of their ESG programme.

To move forward, measuring and communicating the impact of environmental improvements, as well as social and governance performance, will be critical for businesses. 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. Led by the WEF and developed by a task force composed of subject matter experts from Bank of America, KPMG and the other Big 4 accounting organisations, 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.



say managing climate-related risks will play a part in whether CEOs keep their jobs or not over the next five years

74% of CEOs say their response to the pandemic has caused their focus to shift to the social component of their ESG programme.



Survey 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, including 50 CEOs from the UK, to understand how CEO thinking has evolved during the crisis.

In the UK, all respondents have annual revenue over US\$500m and two-fifths of the companies surveyed have more than US\$10B in annual revenue, with no responses from companies under US\$500m.

Globally, the pulse survey included CEOs across 11 industries (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecommunications) and from eight key markets (Australia, Canada, China, France, Italy, Japan, UK and US).

KPMG would like to thank the following for their contributions:

- **Steve Hasker**, President and CEO, Thomson Reuters
- **Alison Rose**, Group CEO, NatWest Group

Contacts



Bill Michael

UK Chairman and Senior Partner
KPMG in the UK

E: bill.michael2@kpmg.co.uk



Lisa Heneghan

Chief Digital Officer
KPMG in the UK

E: lisa.heneghan@kpmg.co.uk



Adrian Clamp

Partner
KPMG in the UK

E: adrian.clamp@kpmg.co.uk



Mark Williamson

Partner
KPMG in the UK

E: mark.williamson@kpmg.co.uk



Sue Bonney

Partner, Head of ESG
KPMG in the UK

E: sue.bonney@kpmg.co.uk



Maureen O Shea

Partner, Operational Transformation
KPMG in the UK

E: maureen.oshea@kpmg.co.uk



Iain Prince

Associate Partner, Supply Chain
KPMG in the UK

E: Iain.Prince@KPMG.co.uk

home.kpmg/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. | CREATE: CRT131027A

Designed by Evalueserve.

Publication name: KPMG 2020 CEO Outlook: COVID-19 Special

Edition Publication number: 137116-G

Publication date: September 2020