2023 CEO Outlook

Ireland

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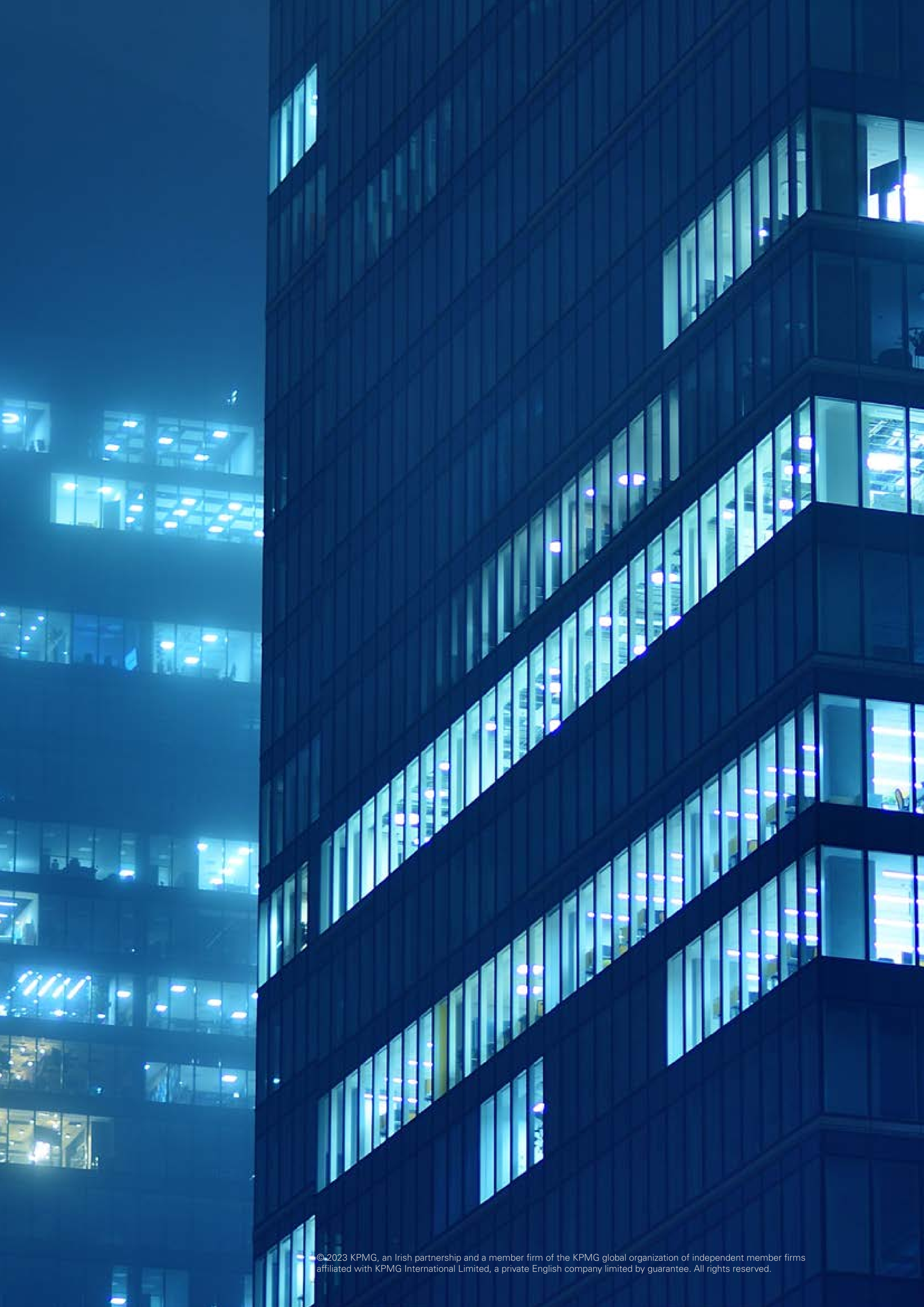


Leadership Perspectives

Welcome to our eighth annual KPMG CEO Outlook.

Seamus Hand
Managing Partner, KPMG in Ireland

Our annual CEO Outlook has taken the pulse of Irish and global CEOs for the past eight years. It provides a unique insight into the mindset and strategies of CEOs in Ireland and how they compare with their peers worldwide.

Measuring CEO confidence and expectations about both the economy and their own organisations provides a valuable understanding of business sentiment at home and abroad.

I'm struck by the measured but persistent optimism of Irish business leaders in the face of often significant challenges. It demonstrates their resilience and that of the businesses they lead.

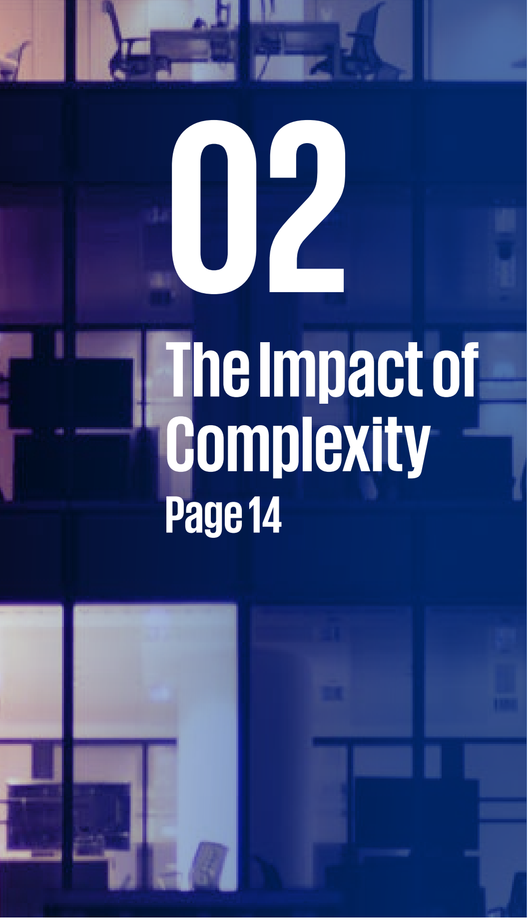
Our research also considers the far reaching business and ethical implications of AI and, as ESG evolves to include greater regulation, how CEOs see the impact and benefit of ESG in their organisations.

Our report reflects on how CEOs envisage the future of work. In the face of rapid technological developments and intense competition, the importance of talented, committed people remains a constant feature of our research and indeed reflects our own purpose and priorities at KPMG.

I'd like to thank all of the CEOs in Ireland and overseas who took the time to share their points of view with us.

It is both a challenging and exciting time to be in business in Ireland.

We hope you find our insights a valuable resource in helping inform your own decision making and leadership perspectives.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At a Glance

Economy

Irish CEO confidence in national economy up year on year but with inflation concerns.

The Irish economy

87 percent of CEOs are confident in 3 year prospects for local economy up from 76 percent in 2022.

Global outlook

Irish CEOs (60 percent) are less optimistic about the world economy than their global peers (73 percent).

Headcount

70 percent of Irish CEOs expect to increase headcount in next 3 years compared with 81 percent worldwide.

Complexity

CEOs report an increased level of complexity fuelled by geopolitics and technology.

Geopolitics

77 percent of Irish CEOs believe geopolitics will negatively impact their business prosperity.

Threats

Irish CEOs say the number one threat to growth is new/disruptive technology - up from number four in 2022.

Cyber crime

43 percent of Irish CEOs say cyber-crime is a threat to company prosperity and only 40 percent are ready for a cyber attack.

Technology

Emerging tech is becoming a top operational priority to achieve growth.

Digitisation

Irish CEOs consider digitisation and connectivity a higher priority in 2023 (27 percent) vs 2022 (20 percent).

AI

Generative AI is a top investment for business say 73 percent of Irish CEOs v's global average of 70 percent.

Payback time

Irish CEOs (57 percent) say returns on AI investment will take more than 5 years where only 40 percent say it will take 3- 5 years.

Talent

CEOs everywhere continue to prioritise talent.

People v's machine

Two-thirds (66 percent) of Irish CEOs favour an emphasis on skills investment with a third (33 percent) favouring new tech.

Diversity matters

72 percent of Irish CEOs say the greatest barrier to progress on diversity is implementing change at senior leadership level.

Added scrutiny

Irish CEOs believe scrutiny of diversity performance will continue to increase - up from 52 percent in 2022 to 60 percent today.

ESG

ESG is here to stay despite new and emerging issues and threats.

In house capacity

Only 57 per cent of Irish CEOs say they have the capability and capacity to meet new ESG reporting standards.

Value creation

Irish CEOs take ESG seriously with over half (53 percent) seeing ESG as a means to value creation.

Attracting talent

43 percent of Irish CEOs see the biggest impact of ESG is in attracting the next generation of talent v's only 14 percent globally.

01 Economic Outlook & Business Confidence

Despite some headwinds, business leaders at home and abroad remain generally optimistic about the future with some disparities in sentiment depending on location.

We asked CEOs about the prospects for both the global and local economies as well as specifically about their own business. In terms of the world economy, CEOs in both ROI and NI are less optimistic about the global economy than their peers worldwide, with 60 percent within each jurisdiction having confidence about the growth of the global economy over the next three years, compared with 73 percent of CEOs worldwide. Interestingly, CEO confidence about three-year growth in the local economy in the Republic is up year on year from 76 percent in 2022 to 87 percent in 2023.

Tom Woods, Head of Tax with KPMG in Ireland, says that Ireland's relative strengths in several key areas help underpin such measured optimism; "Ireland's appeal as a location for multinational investment has had a particularly transformative effect on our economy. Sectors such as tech and pharma, for example, continue to see strong customer demand and more broadly the multiplier effects of FDI across the economy are significant."

However Woods sounds a note of caution; "We clearly can't take our success or the resulting tax revenues for granted and we need to continually review our policies. The personal tax changes and improvement to our R&D regime announced in the budget are welcome. However there is an opportunity to use tax policy to do more to encourage entrepreneurship and mobile talent, to support the delivery of more affordable housing and to promote more innovation in a highly competitive global environment for inward investment."

For Johnny Hanna, Partner in Charge for KPMG in Northern Ireland, it is clear the majority of local business leaders remain optimistic about future growth opportunities notwithstanding the continuing lack of a functioning local executive; "We similarly remain confident about the future prospects for the NI economy" says Hanna who reinforces the point that "Dual UK and EU market access provides exciting opportunities building on the talent, cost and other advantages that NI offers both prospective inward investors and local businesses."

Growth predictions

Intel co-founder Robert Noyce once noted that optimism is "An essential ingredient of innovation. How else can the individual welcome change over security, adventure over staying in safe places?". Since we launched our CEO Outlook, business leaders both in Ireland and worldwide have tended to be more optimistic about the prospects for their own business than that of the local or global economies.

In terms of prospects for their own businesses, almost three quarters (73 percent) of CEOs in ROI remain confident that their company will grow over the next three years. Optimism is slightly higher north of the border with 80 percent of CEOs confident in stronger growth, marginally higher than the picture globally at 77 percent.

Meanwhile, CEOs in ROI are less confident about the growth prospects of their industry, sitting at 63 percent compared with 77 percent in NI and 78 percent globally.

CEO optimism in national economy

78% GLOBAL

87% ROI

67% NI

The cost of money

The context for financing has changed. The tightening of monetary policy is forcing CEOs to reflect on the possibility of a credit squeeze. Inflation, whilst falling in many markets is stubbornly high in others and CEOs know the risks inherent in calling the top of the curve on interest rates.

Whilst CEOs everywhere express concern about interest rate hikes, CEOs in Ireland appear relatively less worried about the impact of rising rates and tightening monetary policy on prolonging a potential recession. Just under two thirds (63 percent) of ROI business leaders are concerned about rate hikes, rising to 70 percent in NI and 77 percent worldwide.

Underpinning this optimism, 90 percent of CEOs in ROI expect to see increased earnings in the next three years. Meanwhile, in NI similar earnings expectations are held by 83 percent of respondents with expectations worldwide even more optimistic at 91 percent.

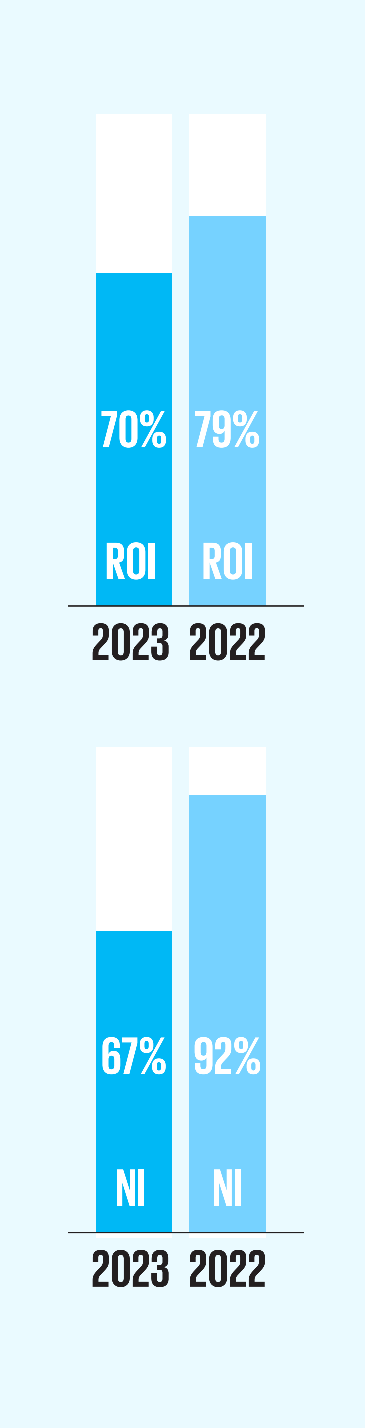
Headcount growth

To help deliver these expected increases, people and talent remain core to delivering leadership ambitions. Notwithstanding often quoted concerns about the impact of Artificial Intelligence (AI) on employment, over 8 in 10 (81 percent) CEOs worldwide believe their headcount will increase in the next three years. The numbers are slightly lower in Ireland although still very positive, with 70 percent in ROI and 67 percent in NI believing employee numbers will rise.

For Michele Connolly, Head of Corporate Finance at KPMG in Ireland it's very positive that businesses across the island plan on increasing headcount even as the global economy faces some challenges. However, we need to get better at improving infrastructure to keep up with this growth. According to Connolly, "New innovative ideas, improvements to our planning system and strong engagement between the public and private sector will be essential for our infrastructure development plans to meet the needs of our population, particularly with regard to housing, transport and energy. We need to get good infrastructure built faster."

Meanwhile, CEOs face an array of strategic options. Recognising that not everything can be a priority, how do you allocate capital and decide the balance between organic and inorganic growth? From improved tech and innovation to expanding product or service portfolios, CEOs are expected to get the big calls right. Introducing new products or developing current ones isn't an "either or" choice. Expanding into new markets, integrating sustainability, adding new skills and building alliances all need to be considered at pace and they all come at a price.

Moreover, being blindsided by technological and other change has been a recurring leadership concern since we began our survey programme. For many CEOs, the question is do you build or buy the capability? Or can you deliver with a mixed approach? Indeed in ROI, for a third of respondents (33 percent) addressing the competitive landscape is the most popular reason to prioritise inorganic growth over organic growth. However in NI the main potential driver of inorganic growth is the availability of financing as cited by just over a quarter (27 percent) of those surveyed.



CEOs expecting to increase headcount over next three years

The outlook for M&A

In the case of attitudes to M&A, just under one in four CEOs (23 percent) in ROI cite a "high appetite" for M&A meaning they will undertake acquisitions which will have a significant impact on their organisations. This is relatively subdued in comparison with their counterparts north of the border (47 percent) and those worldwide (51 percent).

Meanwhile nearly two in three (63 percent) CEOs in ROI report a more moderate appetite for dealmaking indicating that they still intend to undertake M&A but with a more modest impact on their organisations. In NI such sentiment is shared by 40 percent of respondents, closer to the global average of 37 percent.

According to Mark Collins, Head of Deal Advisory with KPMG in Ireland, the findings are not particularly surprising but may hide some underreported ambition. Noting that the days of cheap credit are behind us, Collins says; "Dealmakers are still driven by opportunity but are appraising assets with a heightened degree of focus on the strategic merits of the deal. However, there is still an appetite from buyers and funders of all types who are sitting on dry powder and looking to invest in businesses that have shown resilience through recent global economic challenges."

Questions to consider

Q1 Have you stress tested your business to consider 'higher for longer' inflation and borrowing costs?

Q2 With credit tightening do you understand your cash and liquidity requirements?

Q3 Are you up to speed on your energy options in the context of greater price and supply volatility?

Q4 Have you considered your exposure to potential falls in discretionary consumer spending?

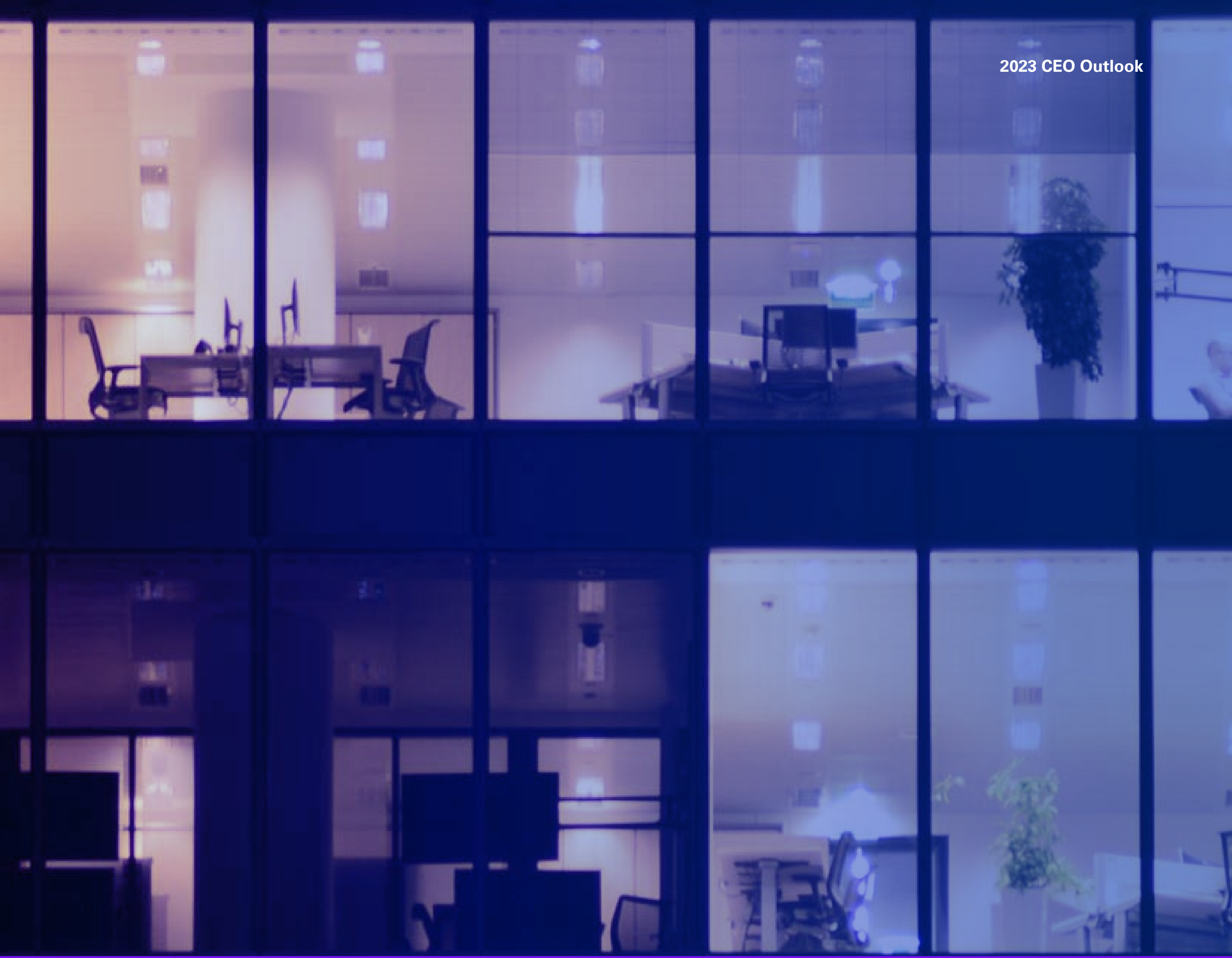
> "There is still an appetite from buyers and funders of all types who are sitting on dry powder and looking to invest"

Mark Collins,
Head of Deal Advisory,
KPMG in Ireland

The Impact of Complexity

Today's business environment is like nothing we've seen before. Predictions once confidently made are confounded by an increasingly complex geopolitical system that moves at pace and with little certainty.

Meanwhile the potential threats and opportunities provided by technology can seem overwhelming and as always, time to react is limited. Many current CEOs began their careers at a time when AI and cybersecurity were largely confined to science fiction and issues such as the climate crisis, war in Europe and Brexit were beyond the predictive powers of most leaders.



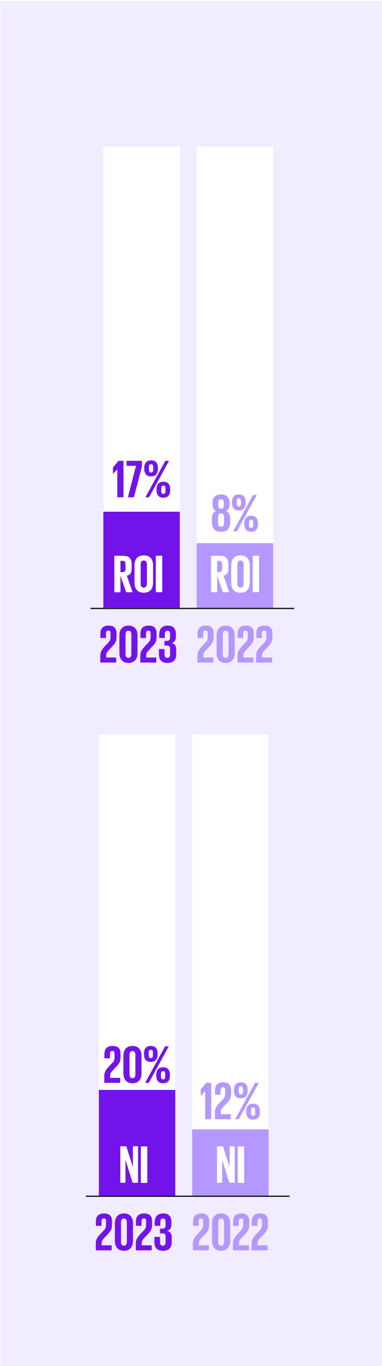
CEOs who have adapted growth strategy due to complexity

64% GLOBAL

57% ROI

63% NI

Now, CEOs are managing a wider set of stakeholders than ever before and have to consider how best to stay abreast of the implications of complex world events. CEOs face new and unfamiliar situations often resulting from geopolitical issues such as the fresh turmoil in the Middle East. Exposure to this political instability can be particularly relevant for businesses that have expanded into newer markets and emerging countries with potentially weaker institutions, civil unrest and low resilience. Simultaneously the rise of populism, nationalism and country-first approaches to international trade can turn former 'stable' developed markets into politically turbulent problems. For the global CEO, the odds are increasing that it is a geopolitical event that they may need to explain as the root cause of a performance challenge.



CEOs who believe emerging and disruptive technology poses the greatest threat to growth

The role of government

Unsurprisingly, CEOs believe that the level of complexity facing them is at its highest ever level. In the past, governments in more affluent countries tended to let business get on with it. Now, the post-war era of ever-increasing free trade often seems to be receding. In many markets government is back centre stage in areas it had typically low involvement. CEOs need to consider the impact of issues such as protectionism, tariffs, export controls on technology and the risk of sanctions. In a time of multiple supply chains these matters have taken on added complexity.

Risk concerns

Globally, our research shows that geopolitics, emerging and disruptive technology and operational risks are the three biggest risk concerns of business leaders worldwide. Closer to home, in terms of the top three risk issues, both emerging and disruptive technology and regulatory concerns occupy the first and second risk issues across the island with reputational risk completing the trio in ROI whilst climate change is the third greatest threat to growth plans in NI.

Meanwhile, the aforementioned perceived threat of emerging and disruptive technology to businesses has increased in the last year (albeit from a low base). In the context of well-publicised rapid advances made in generative AI, it has risen from 8 percent in 2022 to 17 percent this year in ROI, and from 12 percent to 20 percent in NI and we expect this trend to continue.

Adding to this sense of complexity is the reality that due to the explosion in technology, business leaders are managing teams when even some of their more junior people (for example in areas such as technology) have specific knowledge and expertise that they may not have. This situation is quite normal now but relatively unthinkable only a couple of decades ago. Add the impact and implications of AI to the mix and it seems like the pace of change is accelerating exponentially.

Board leadership

For Ryan McCarthy, who heads KPMG's Board Leadership Centre, this increase in complexity is causing CEOs and their boards to revaluate their own situation, and to assess vital gaps in knowledge and experience. With businesses facing unprecedented levels of complexity, there's a growing need to test an organisations capabilities. "It's one thing to talk about change, but you can't manage risk if you don't understand what's happening. I believe we'll see boards increasingly challenge the skills, expertise and insight that businesses have at their disposal."

McCarthy says that it is becoming increasingly important for CEOs and their boards to develop multidisciplinary teams of experts, and to critically evaluate how well placed they are to deal with challenges from emerging disruptive technologies to rising geopolitical tensions and economic instability. Such volatility and the shock of higher costs and dampened consumer demand in many markets has inevitably shifted focus to the immediate future. This is potentially hazardous says McCarthy as boards are "More comfortable with the near term as it can seem easier to understand and manage. It's the issues from left field driven by what senior people may lack knowledge of that can do the most damage – both in terms of missed opportunities and misunderstood risk."

Johnny Hanna, KPMG's Belfast based Partner in Charge in Northern Ireland agrees that businesses are facing heightened levels of complexity. Hanna says that CEOs everywhere are increasingly finding themselves having to become experts on issues such as geopolitics and understanding the implications of issues such as Brexit. "It's important to recognise that agenda issues such as Brexit aren't time limited – they have both short-term impacts and longer-term implications and it's vital to see such issues as a process and not an event."

Adapting growth strategies

57 percent of business leaders in ROI and almost two thirds (63 percent) in NI have already adapted their growth strategies as a result of these interrelated challenges as have 64 percent of their peers worldwide.

Roughly half of CEOs globally (48 percent) and in ROI (50 percent) believe micro-level decision making is a requirement for success given how quickly the world is changing. However this sentiment is shared by only 10 percent of respondents in NI. There is strong consensus however both globally (72 percent) and in ROI (70 percent) and NI (67 percent) that a collaborative leadership style with shared management and operational responsibilities drives greater success.

The average age of a Fortune 500 CEO has been reported as 57.7 years. Yet is the emerging tech revolution edging out the older generation? According to our research, CEOs say they're altering how they think about succession planning as a result of ongoing uncertainty about the future in a rapidly changing environment. In fact, approximately two thirds of CEOs across the island (ROI 63 percent, NI 67 percent) say that they are reconsidering their approach as compared with 73 percent worldwide.

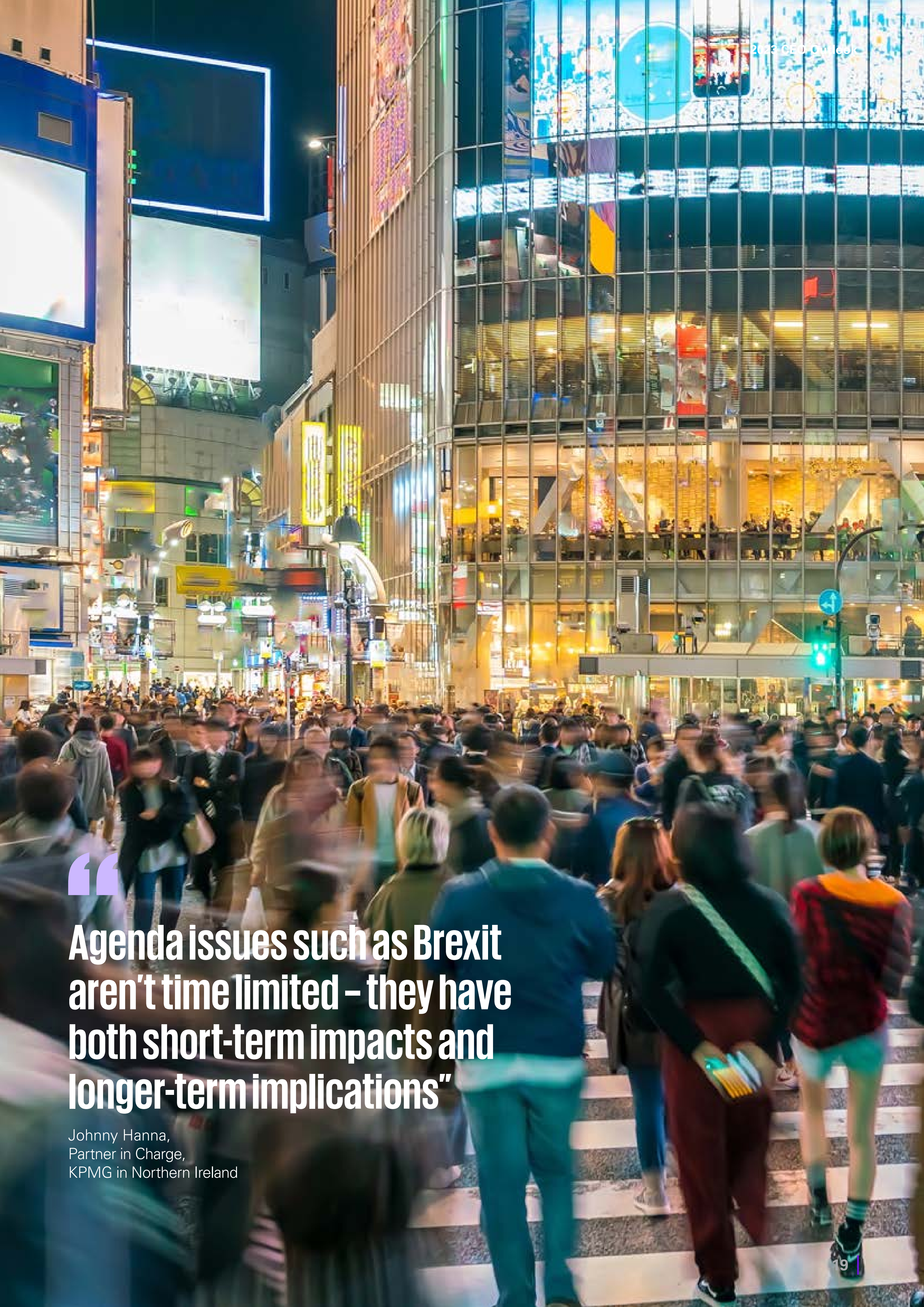
Questions to consider

Q1 Have your financial forecasts and business plans been stress-tested for geopolitical disruptions?

Q2 What does increased geopolitical uncertainty mean for the availability and cost of capital and resources?

Q3 Who in the business is responsible for monitoring, analysing and interpreting geopolitical events?

Q4 Is your geopolitical intelligence of comparable quality to your financial and operational data?



Agenda issues such as Brexit aren't time limited – they have both short-term impacts and longer-term implications"

Johnny Hanna,
Partner in Charge,
KPMG in Northern Ireland

03

Emerging Technology

CEOs have mixed views on whether to treat advancing digitisation and activity across their business as a top priority to achieve growth in 2023.

This comes at a time when economic sentiment globally has softened - leaving some CEOs to pull back on big spending on non-core projects. However, with the rapid advances made in generative AI, some have felt the need for immediate action. In Ireland we find different attitudes on either side of the border. In ROI CEOs consider advancing digitisation and connectivity a higher priority in 2023 (27 percent) than they did in 2022 (20 percent) while in NI, the sentiment has softened year on year from 32 percent to 23 percent.

Threats and opportunities

Emerging and disruptive technology is cited by CEOs as the number one threat to organisational growth, with 100 percent of CEOs in ROI and 90 percent in NI believing it will negatively impact their organisations' prosperity over the next three years. Both of these figures are higher than the global average of 72 percent.

Meanwhile CEOs believe advancements in generative AI technology will be a double-edged sword, acknowledging that it will aid in detection of cyber incidents while also admitting they are ill-equipped to handle the new attack strategies AI-armed adversaries may possess.

Nonetheless, generative AI remains a top investment for business, according to almost three in four (73 percent) of ROI CEOs, slightly higher than the global average of 70 percent. NI CEOs are currently less convinced however, with under half (47 percent) stating that it is a top investment for their organisation.

Increased profitability, new product and market growth opportunities, increased innovation, increased efficiency and job creation are the top five benefits cited by CEOs worldwide from implementing generative AI. Notably, there was a wide distribution of answers with no clear winner, indicating that CEOs have a plurality of views on the benefits of this emerging technology, which may differ depending on the nature of businesses, and also could indicate that while views are generally positive, there is still a significant knowledge gap about how it will specifically benefit business.

CEOs expecting ROI on AI to take 5+ years

21% GLOBAL

57% ROI

53% NI

Technology decisions

Our research shows that ethical issues were cited by CEOs as the biggest challenge in implementing generative AI in their organisations. 57 percent of respondents worldwide called out the topic of ethics as the biggest issue – a figure which rises to 60 percent in ROI and 73 percent in NI.

Meanwhile, according to our recent KPMG global tech report, 55 percent of organisations said progress toward automation has been delayed because of their concerns about how AI systems make decisions.

For Gillian Kelly, Head of Consulting at KPMG in Ireland, it's evident that CEOs still have lots of big questions about AI in the long term. "They want to know how it will be regulated or whether it will ultimately replace a large number of jobs currently done by people, but right now, CEOs need to understand where AI might help their business." Kelly acknowledges that technology investment is expensive upfront but believes "it can release pressure on the bottom line by increasing efficiencies and also can combat increasing hiring challenges as many industries face talent shortages."

The trust imperative

Previous KPMG studies show that worldwide, three in five people (61 percent) are either ambivalent or unwilling to trust AI. However, trust and acceptance depend on the AI application. For example, AI use in healthcare diagnostics is more trusted than AI use for HR purposes. People tend to have faith in the capability and helpfulness of AI systems, but remain sceptical of their safety, security, and fairness. Unsurprisingly, many people also feel ambivalent about the use of AI, reporting optimism and excitement, combined with fear and worry.

Trust is vital says Gillian Kelly who believes business has an essential role in building confidence in AI. "AI is a leadership matter – not something to be delegated. CEOs have a leadership obligation to be as informed as possible about the power of AI. In addition to exploring the commercial opportunities, there's a need to formally assess the ethics, governance and security in place around AI and machine learning technologies. We need a set of frameworks and controls to help organisations harness the power of AI — designing, building and deploying AI systems in a safe, trustworthy and ethical manner so companies can accelerate value for consumers, their own people, organisations and wider society."

“

AI is a leadership matter – not something to be delegated

Gillian Kelly,
Head of Consulting,
KPMG in Ireland

The skills gap

When it comes to the barriers to organisational success caused by generative AI, CEOs cited a lack of technical capability and skills to implement it. In fact, such AI challenges were flagged as an issue by exactly half (50 percent) of CEOs worldwide, 60 percent in ROI and rising to almost three quarters (73 percent) in NI.

Meanwhile, two thirds of CEOs in both ROI and NI (63 percent) believe the degree of regulation regarding generative AI should mirror that of climate commitments.

There are mixed views on how long a return in investment on the implementation of generative AI will take. CEOs on the island of Ireland tend to believe that return on investment in AI will take longer than their global counterparts, with most CEOs stating that it will take more than 5 years (57 percent in ROI and 53 percent in NI).

This is higher than globally where only 21 percent believe it will take more than 5 years and a significantly higher number believe it can be done within 3-5 years (21 percent globally compared with 40 percent in ROI and 43 percent in NI). Notably, globally 24 percent stated that they expect to see a return on investment within 1 to 3 years. No CEOs in ROI expect a return in investment this quickly while only 3 percent in NI do.

Turning cyber focus to advantage

Building and protecting trust is integral to how businesses operate and interact with stakeholders. And with that trust comes several commercial advantages. Dani Michaux is Head of Cyber Security at KPMG in Ireland and says; "Research and experience shows that up to half of senior executives believe stronger commercial relationships can result from greater trust on matters related to cybersecurity." Yet paradoxically our experience also tells us that senior leaders see information security as a necessary cost rather than a way to gain a competitive advantage. According to Michaux "Often executives do not yet fully understand the competitive benefits of enhancing trust through better information security."

More positively however, cyber-crime is now embedded in the leadership agenda. Almost three in four CEOs worldwide (73 percent) say that cyber-crime is a threat to their prosperity over the next three years. Interestingly this falls in Ireland to 67 percent in NI and more significantly to 47 percent in ROI.

Meanwhile, only 52 percent of CEOs worldwide believe that they are well-prepared for a cyber-attack. The figure is lower in ROI with only 40 percent confident of the same, while NI CEOs are significantly more confident in their preparedness for such an event with 90 percent believing they are well prepared.

Reflecting on the apparent lack of cyber preparedness in most markets, Michaux says; "It might sound strange to say this, but it's actually a relief in some respects that many CEOs admit that they do not feel well-prepared for a cyber-attack." She believes that with increasingly advanced technology in the hands of cyber criminals, attacks are now inevitable. "It's not a case of whether you will fall victim to an attack but rather when. Accepting that you are not yet fully prepared and that more work is needed is the first step. In addition to focusing on prevention, management teams should focus on business continuity for when an attack does occur to ensure that they can continue to support their employees and customers."

Questions to consider

Q1 What is your leadership position on AI in terms of its risks, benefits and liabilities to others?

Q2 How can you ensure confidentiality and accuracy while using generative AI models?

Q3 How secure are your generative AI applications from cyberattacks, bad actors and insider threats?

Q4 What are the basic known adversarial vulnerabilities of the technologies you're using?

"It's actually a relief in some respects that many CEOs admit that they do not feel well-prepared for a cyber-attack"

Dani Michaux,
Head of Cyber Security,
KPMG in Ireland

04

The Evolution of Talent

With issues such as technology and geopolitical complexity impacting CEOs like never before, where does it leave people and what should leaders consider when assessing the impact on their teams?

Our research indicates that CEOs worldwide and in Ireland continue to prioritise people as an operational priority in achieving their ambitions. Attracting and retaining talent continues to be at the heart of the CEO agenda - good news for those concerned for example about the potential for AI to trigger job losses. CEOs are also looking to make their existing people more productive through digital transformation in order to drive growth. In fact, this is cited as the single most important priority in driving the growth agenda both in ROI and NI as well as globally.

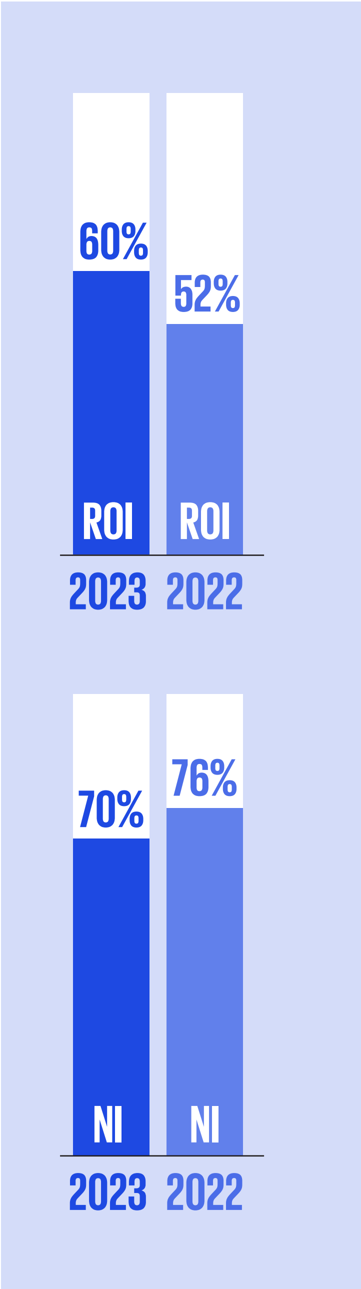
CEOs who believe employee adoption of AI will be a challenge

36%	40%	40%
GLOBAL	ROI	NI

Conor McCarthy, Head of People and Change at KPMG in Ireland notes that "We are seeing a greater focus on talent development, mutually beneficial redeployment opportunities and ultimately more evolved approaches to strategic workforce planning".

However, our survey also highlights differing perspectives in different jurisdictions. Worldwide and in ROI, CEOs are prioritising workforce skills and capabilities ahead of buying new technology, whereas in NI the situation is reversed. In this context, we also thought it useful to ask business leaders about the challenges for employees that are inherent in introducing new technology, for example generative AI. For CEOs worldwide, over a third (36 percent) believe employee adoption of AI will present a challenge. In Ireland, the same percentage (40 percent) of CEOs North and South agree.

Conor McCarthy says that boards are still grappling with the workplace effects such potentially momentous change can bring. "It's important to make the distinction between the assessment of commercial potential, the technology capability required and the universal nature of many change management principles that apply regardless of individual scenarios."



CEOs who believe scrutiny of diversity performance will continue to increase

Gender equality - mind the gap

Meanwhile, the issues of gender equality and diversity continue to occupy CEOs as they look to strengthen their teams. Over three quarters (77 percent) of CEOs worldwide believe that achieving gender equity on their boards will help achieve growth ambitions. This figure is somewhat lower in ROI at 67 percent, whereas in NI the figure is 83 percent.

For McCarthy one principle holds true regardless of the data – there is always room for improvement. "Diverse teams for a diverse world isn't just a catchphrase – our work in change management shows that diversity in teams leads to better critical thinking, better solutions and a more balanced approach to risk."

Continued scrutiny

Reflecting the challenges of effecting change, a strong majority (72 percent globally) of those surveyed say that the most significant barrier to diversity in workplaces is implementing change across senior leadership. This figure drops to 60 percent in ROI and 67 percent in NI.

Regardless of these barriers, seven in ten (71 percent) of business leaders globally also expect the scrutiny of their diversity progress to continue to increase over the next 3 years. Their counterparts in Ireland anticipate a similar approach with 60 percent in ROI and 70 percent in NI expecting the same focus albeit that the NI figure is down slightly year on year.

Moreover, it's not just about sentiment. Issues such as an increased focus on Gender Pay Gap Reporting in many markets and with more organisations 'in scope' will ensure that regulatory attention fixes its gaze on CEOs and their organisations to a greater extent.

The future of work

Where and how people work is a key leadership and employee issue at a time of fundamental change. Job postings mentioning new technology are increasing rapidly. For example, the share of English language job listings worldwide mentioning GPT or ChatGPT has increased 21x in the period since November 2022.

CEOs continue to evolve their thinking on what the future of work may look like with many CEOs (70 percent ROI, 67 percent NI and 64 percent worldwide) believing there is still progress to be made on the 'return to office' agenda. Meanwhile 78 percent of CEOs in ROI and 75 percent in NI think it is likely that employees who come into the office could benefit through enhanced reward and recognition compared with 87 percent worldwide.

Considering global sectoral variations across industries, this belief that in office working will return was highest to a greater extent in life sciences, automotive, energy and natural resources and infrastructure. This sentiment ranked lowest across tech and asset management (47 percent and 49 percent respectively).

According to KPMG Managing Partner Seamus Hand; "The future of work continues on its journey of constant evolution. While business leaders are increasingly recognising the office as being critical to collaboration, innovation and building working relationships, this continues to be complemented by the flexibility of hybrid working. Employers are striving to strike the balance between productivity and collaboration, while also attracting and retaining the best talent."

Questions to consider

Q1 Do you have a talent strategy and is it aligned with your strategic objectives?

Q2 What is your true leadership position on equality - compliance or opportunity?

Q3 Are you driving active participation with your people about the future of work and what they want in their careers?

Q4 Do you sufficiently understand technology and its potential to make the right hiring decisions in AI and related areas?

"The future of work continues on its journey of constant evolution"

Seamus Hand,
Managing Partner,
KPMG in Ireland

Deconstructing ESG

Inflation and dampened consumer demand have shifted some focus to the near term. CEOs are grappling with the trade-offs inherent in driving earnings whilst creating longer term value.

35 percent of CEOs globally (33 per cent in both ROI and NI) say they have changed the language in which they use to refer to ESG internally and externally and are prioritising each element of the 'E', 'S' and 'G' in an effort to give clarity to priorities.

Meanwhile near-term volatility and risk has changed leadership perspectives. Worldwide, environmental/climate change has dropped to the bottom of the top five perceived threats to growth. Ahead of environmental threats are geopolitics and political uncertainty (top threat), followed by emerging technology and operational issues (joint second) and supply chain risks.

In ROI the top five threats to growth are emerging technology, regulatory risk, reputational risk, talent risk and operational risk. In NI emerging technology leads the field followed by regulatory, environmental, interest rate and supply chain risk which ties with cyber risk in joint fifth position.

Despite a sometimes polarised discourse around the term ESG, CEOs continue to invest but are taking a more outcomes-based approach to their business' efforts whilst remaining pragmatic about the external environment. CEOs believe that they are still a few years away from seeing a return on their investment, with key benefits accruing to their customer relationships, brand reputation and M&A strategy.

Meanwhile, CEOs still see their ESG strategy as being essential to having a strong reputation for attracting both customers and employees. This is felt more strongly in Ireland than globally, with 43 percent in ROI and 33 percent in NI stating that the greatest impact of their ESG strategy is in attracting the next generation of talent, compared with only 14 percent globally.

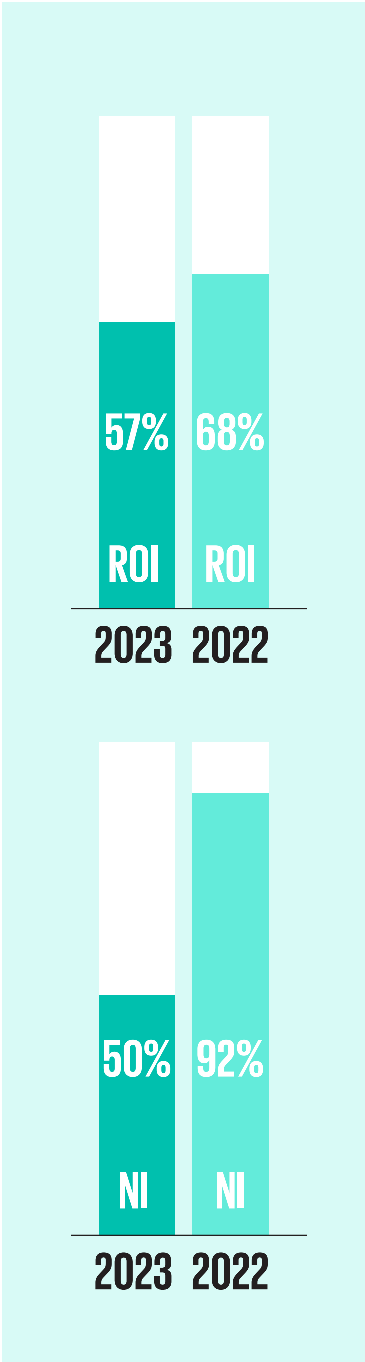
The introduction of the new CSRD (Corporate Sustainability Reporting Directive) across the EU, as well as wider stakeholder pressure ensures ESG remains a key topics for CEOs. It's clear other economic and geo-political challenges have risen to the top of the agenda over the past year. Furthermore, CEOs are increasingly focused on the economic and commercial case for ESG – globally 50 percent of CEOs expect a 3-5 year payback on investment, reducing to 43 percent in ROI and only 23 percent in NI. In fact in NI a majority of CEOs (53 percent) believe the payback time frame extends to 5-7 years.

CEOs capacity to meet new ESG reporting standards

74% GLOBAL

57% ROI

43% NI



CEOs who see the public looking to them to fill the void on societal challenges

ESG embedded

Despite the noted variance in the timeframe for a return on investment, Russell Smyth, Head of Sustainable Futures at KPMG in Ireland, says; "ESG is now an embedded agenda within corporates, and the approach is beginning to mature, with businesses increasingly considering the opportunities it can bring, not just the costs, and the commercial returns it can generate".

Meanwhile the majority of CEOs worldwide (64 percent) understand that as trust in governments decline, consumer and public expectations of them and business are high to help fill the void on societal challenges. This has declined from 71 percent in 2022. Meanwhile 69 percent have fully embedded ESG into their business as a means to value creation.

In Ireland, sentiment was softer, although over half in ROI (57 percent) and half in NI (50 percent) agree that the public is increasingly looking to their businesses to step in and fill the void. However, it's worth noting that this too has declined in the past year from 68 percent in ROI to 57 percent and from 92 percent in NI to 50 percent. This decline may suggest that challenging economic conditions and geopolitical tensions have moved the conversation on social justice down the priority list.

CEO prioritisation of specific aspects of ESG

	Environmental	Social	Governance	All equally
ROI	23%	17%	40%	20%
NI	20%	40%	33%	7%

Mandatory reporting - capability challenges

Only 57 percent of CEOs in ROI and 43 percent in NI say they currently have the capability and capacity required to meet new ESG reporting standards. This is lower than the global average of 74 percent and should be a concern given the mandatory aspect of for example the new CSRD legislation for in scope businesses.

Emer McGrath, Head of Audit at KPMG in Ireland says: "It's concerning to see that a substantial number of CEOs say they don't have the capacity required to meet new ESG reporting standards. Non-financial reporting is increasingly a governance obligation and needs to be treated as such. It's important that businesses take the first steps without delay and carry out a materiality analysis to identify the topics relevant to their business. This will help ensure that they can begin to report on their ESG obligations in a meaningful way."

Finally, when it comes to businesses commitments to decarbonising their operations, the lack of appropriate technology solutions has been cited by CEOs as the most significant barrier to achieving net zero, with almost half (47 percent) citing it as such in both ROI and NI. This is felt significantly more strongly than globally where only 18 percent of CEOs cited the lack of tech as the greatest barrier. Other major concerns include a lack of skills and expertise to implement solutions, the complexity of decarbonising supply chains and a lack of internal governance and controls to operationalise their carbon journeys.

Questions to consider

Q1 What is your leadership position on net zero? Cost or opportunity?

Q2 Sustainability can impact on talent acquisition and retention. Are your views in step with your people or do you need to find out more?

Q3 Has current volatility knocked you sustainability journey off- course and who in your organisation is responsible for renewed focus?

Q4 Are you adequately resourced to ensure you deliver on your ESG compliance obligations?

"It's concerning to see that a substantial number of CEOs say they do not have the capacity required to meet new ESG reporting standards"

Emer McGrath,
Head of Audit,
KPMG in Ireland

Actions to Consider

Economy

Consider scenario planning the implications of inflation and interest rates staying higher for longer and stay close to your customers as their needs and circumstances evolve.

Assess your borrowing and working capital arrangements and keep your deal appetite under review – there is always the potential for opportunity.

Complexity

CEOs have always had to deal with change. The difference now is the range and scope of issues that can derail the best laid business plans.

Stay personally up to date with geopolitical and tech related issues and ensure you are resourced to understand the implications and opportunities that complexity can trigger.

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Technology

Embrace generative AI in a way that is ethical, makes the most sense for your business and keeps the needs of your employees and clients at the forefront.

Understand the shifting and existential risk of cyber-crime so that you and your teams do not expose the business to risk.

Talent

Take a long-term view when it comes to employees perspectives on the future of work to ensure that talent is retained, attracted and supported.

Set the tone at the top. Senior leadership should make inclusion, diversity and equality a stated priority and set real targets.

ESG

Stay attuned to shifting ESG regulations to maintain your reputation and client relationships. Ensure you have access to the right support on the increasing need for compliance.

Position ESG as a driver for value creation, rather than as a risk to be managed.

Methodology

About the KPMG 2023 CEO Outlook

This edition of the KPMG CEO Outlook was conducted by Forbes Insights on behalf of KPMG with 1,325 CEOs between 15 August and 15 September 2023, 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 13 markets (Australia, Britain, Canada, China, France, Germany, India, Ireland, Italy, Japan, Northern Ireland, Spain, and US) 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.

Get in touch

At KPMG we're committed to working with you to help you achieve your business objectives. To find out more please get in touch with our partner team. We look forward to hearing from you.

To meet our partner team, scan here →

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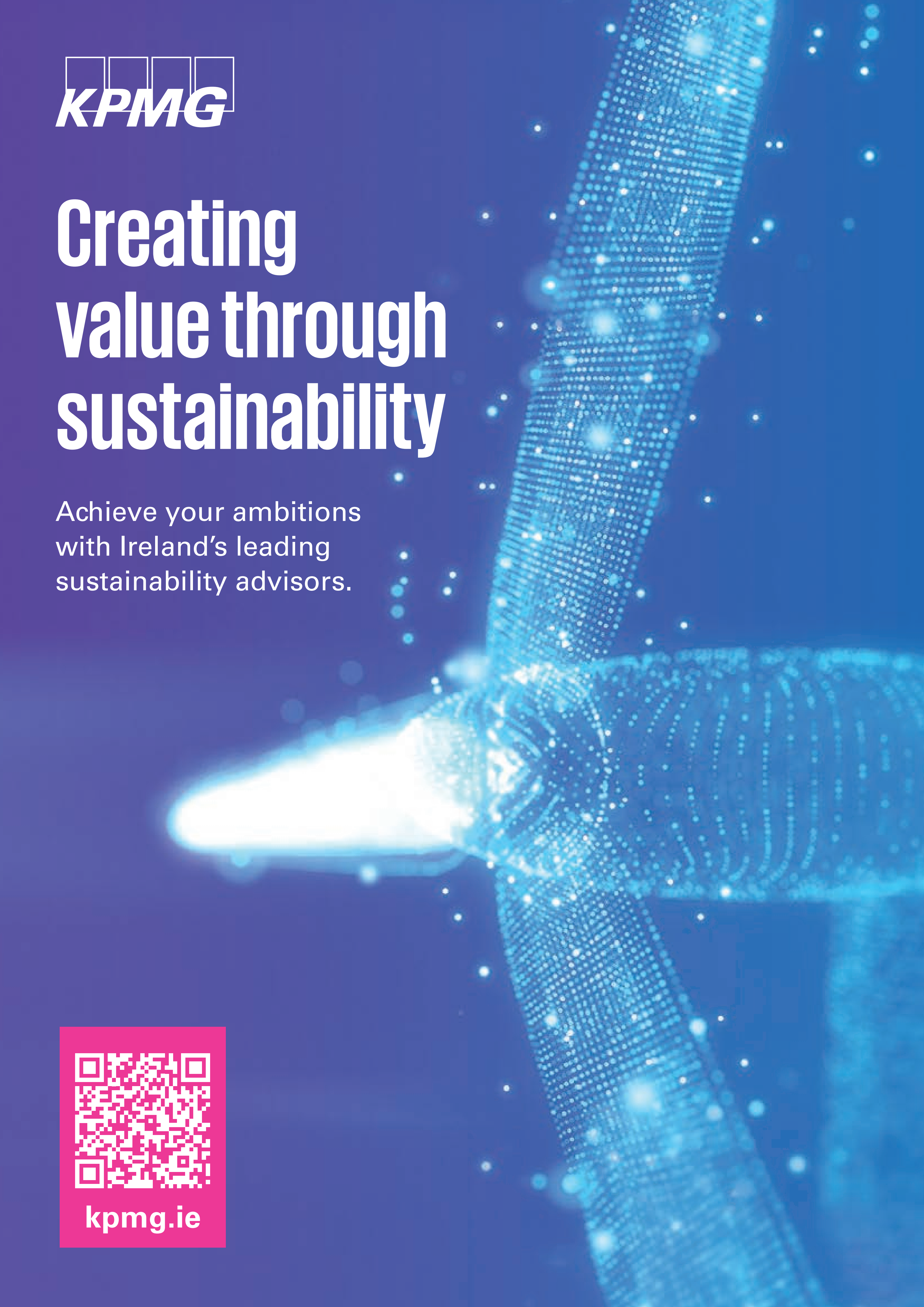
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