2024 CEO Outlook

Ireland

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Confidence
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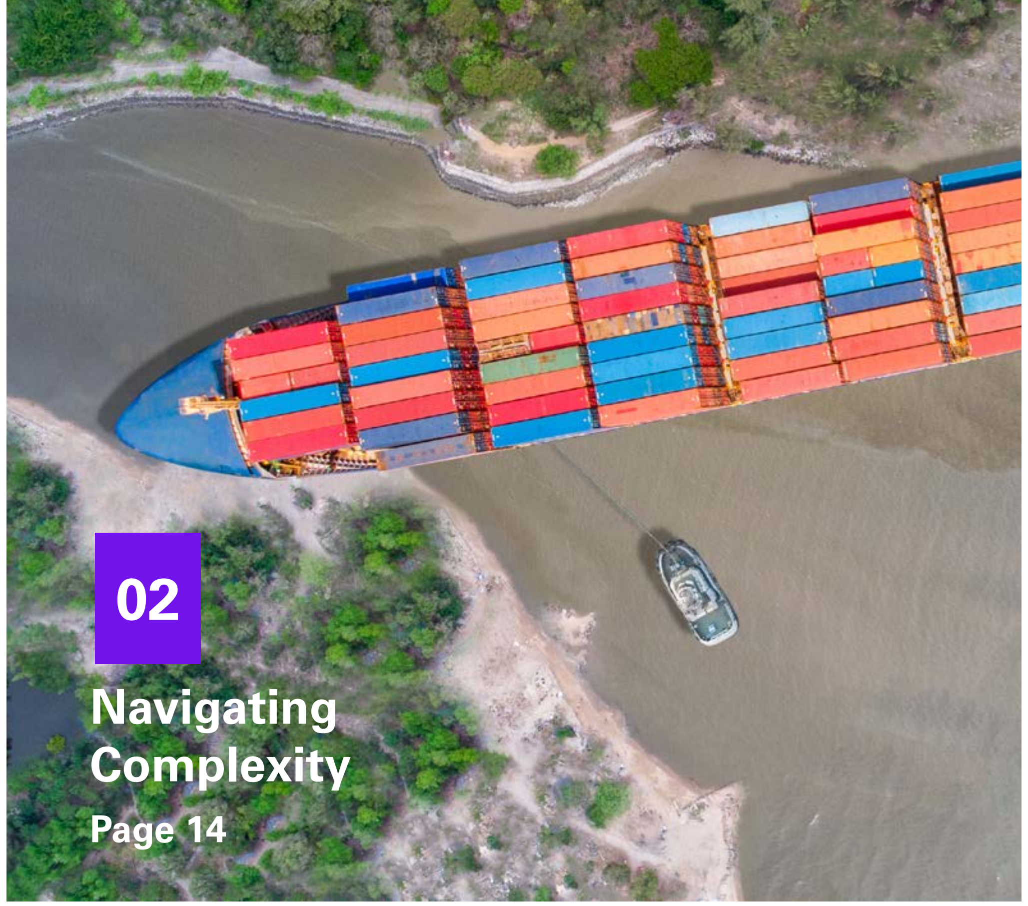
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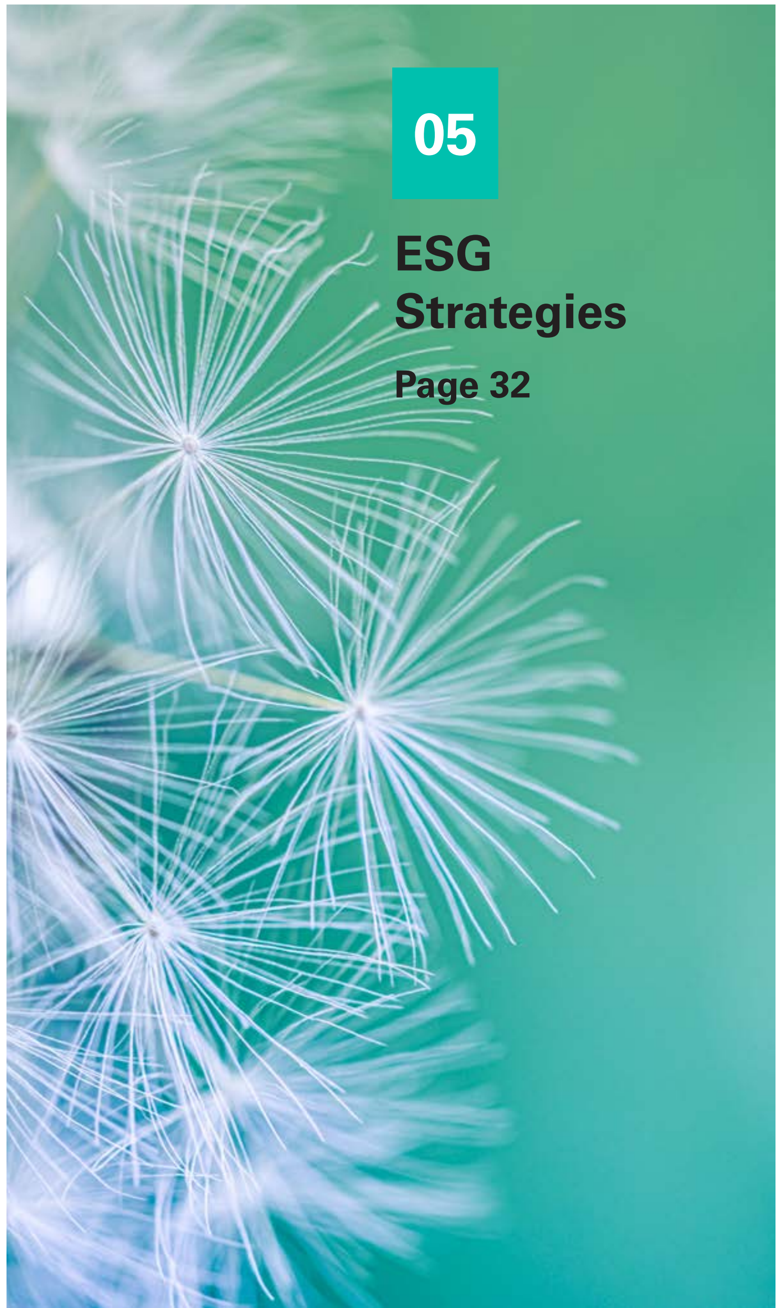
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Leadership Perspectives

Welcome to our latest KPMG CEO Outlook. In this, the 10th edition of our research, we look at the issues impacting business leaders in both the Republic of Ireland and Northern Ireland and compare their perspectives with that of their global peers.

Our research highlights a strong level of confidence by Irish CEOs in the local and global economy and confirms significant plans to invest in AI and talent. As geopolitics impacts everything from the cost of raw materials to supply chain matters, we look at how volatility and world events are shaping board room discussions and strategy development. As we consider the business outlook at home and abroad, we hope our research will help policymakers make informed decisions about how best to support entrepreneurship, innovation and inward investment in Ireland.

CEOs in Ireland are very ambitious to take advantage of AI and related technologies, even more so than their global counterparts. The challenge of attracting the right people and capabilities to make the most of these opportunities is highlighted as a risk. Our research shows that CEOs continue to recognise that people are at the heart of enabling AI, in terms of building relevant skills, enhancing workforce capability and putting the right controls in place to ensure trust can be maintained in outcomes.

As the debate about hybrid working continues for CEOs, the sentiment shows that a growing number of leaders believe that there will be a return to pre-pandemic ways of working within the next three years.

Meanwhile as the climate crisis weighs heavily, we see continued shifts in attitudes to ESG and challenges in meeting Net Zero commitments. CEOs need continued support meeting legal and governance obligations with technology developments in this regard progressing more slowly than expected. Our research also highlights the challenge of ensuring companies will have access to the resources needed to meet new ESG reporting standards.

Finally, our thanks to all the CEOs in Ireland and around the world who shared their insights with us. Their ambition for their people and the businesses they lead continues to inspire us.

Seamus Hand
Managing Partner,
KPMG in Ireland

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At a Glance

Outlook

Irish CEO confidence in the economy similar to 2023 as inflation concerns fade and interest rates fall.

More jobs

97 percent of Irish CEOs expect to increase their headcount over the next 3 years.

Continued positivity

90 percent of Irish CEOs are confident in the 3 year prospects for the economy up from 87 percent in 2023.

Company growth

Irish CEOs are positive – 97 percent expect company growth in excess of 2.5 percent in the next 3 years.

Complexity

Geopolitics and a fast changing tech environment is adding to a packed CEO agenda.

Risks

Irish CEOs cite supply chain risk as the single biggest threat to growth in 2024.

Top of mind

Embracing and embedding AI highlighted as the number one top of mind issue for Irish CEOs.

Changing approach

63 percent of CEOs have adapted their strategies due to complexity – up from 53 percent last year.

Technology

AI brings advantages for CEOs. And new challenges in terms of costs and regulation.

AI budgets

77 percent of Irish CEOs cite costs as a challenge in implementing AI strategies.

Regulatory concerns

90 percent of Irish CEOs worry about the lack of regulation as the biggest AI planning issue.

Cyber crime

Most Irish CEOs (73 percent) say they are well prepared for a cyberattack but all (100 percent) worry about cybercrime.

Talent

People remain fundamental to CEO plans - despite the impact of tech and reskilling is a big priority.

Human vs machine

70 percent of Irish CEOs say AI will create more jobs than it eliminates vs 23 percent worldwide.

Skills focus

Upskilling their employees to understand and implement Gen AI the number one operational priority for Irish CEOs in 2024.

Training deficits

Only 27 percent of CEOs believe their organisation is equipped to upskill employees to meet business objectives.

ESG

ESG is changing but remains central to CEO plans - notably as it relates to their employees.

Net Zero

40 percent of Irish CEOs are not confident of meeting their Net Zero goals by 2030.

Attracting talent

47 percent of respondents see the biggest impact of ESG is in attracting talent vs only 17 percent worldwide.

In-house capability

Only 60 percent of Irish CEOs say they have the internal ability to meet ESG reporting standards.

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01

Economy and Confidence

Measured optimism has been an enduring feature of this research since we began assessing leadership attitudes and CEO perspectives at home and abroad over the past decade.

However, the profound changes triggered by technology and shifting geopolitical sands are reshaping CEO attitudes about the future. We asked CEOs about their confidence in three-year growth in both the global and national economies. In the Republic (ROI), 80 percent of CEOs said that they expect global growth over the next three years to improve compared with 73 percent of their NI counterparts. This is up markedly in ROI from 60 percent of respondents last year but effectively static in NI (73 percent in 2023). Meanwhile worldwide optimism in the global economy is also up from 60 percent confidence in 2023 to 72 percent this year.

Faith in the three-year prospects for the ROI economy was marginally more optimistic this year, up to 90 percent from 87 percent in 2023. North of the border the shift was somewhat more positive, with 93 percent of business leaders in NI stating confidence in the local economy compared with 67 percent last year.

According to Tom Woods, Head of Tax with KPMG in Ireland, such continued relative optimism in the Republic has in part been driven by continued robust demand in many sectors and the trend of very strong exchequer receipts taking pressure off government finances. However, Woods cautions against any complacency and highlights the enduring issues of cost and complexity being faced by many businesses. “From a public policy perspective, we have been clear on the need to promote high value employment as the bedrock of economic resilience and tax plays an important role in this strategy. Moreover, employment taxes are a huge contributor to the exchequer. We believe tax policies shouldn’t make it unattractive to hire additional employees or to take up a job in Ireland when compared with other markets.” Woods says that our success at attracting business “will be closely tied with how successful we are in attracting individuals to relocate and work here.”

Tom Woods also stresses the importance of promoting domestic entrepreneurship and he believes that “Individuals should be encouraged to put some of their savings to productive use, helping SMEs to finance growth, innovation and the creation of new employment opportunities.”

In Belfast, KPMG’s Johnny Hanna is cautiously optimistic about the local economy. As Partner in Charge of KPMG in Northern Ireland, he says that business leaders have always had an additional level of resilience “to deal with some of the previously unique challenges of doing business in the region.”

In a post Brexit environment, Hanna says that there’s “A measured sense of optimism in the business community.” He cites the foundations of a functioning Executive and high levels of employment. Hanna says, “Such relative stability underpins confidence in both the wider economy and in businesses themselves.” However, he believes there’s also a sense of unrealised opportunity. “We can and should be attracting more inward investment and our home-grown businesses have further potential to scale and grow.” Hanna also cautions that tough measures flagged by the new Labour government in London “Have the potential to hamper progress in funding for much needed infrastructural development including the widely heralded City Region and Growth Deals which are of significant importance and need certainty to deliver the expected benefits.”

CEO confidence in national economy

Global	ROI	NI
78%	90%	93%

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Growth and the eternal optimist

Annually, our research highlights the tendency for CEOs to be more optimistic about growth in their own business than they are about the wider economy and this trend continues. A hugely positive 93 percent of CEOs in ROI (up from 73 percent last year) and 87 percent of their cross-border peers in NI (also 73 percent last year) are optimistic about the future prospects of the companies they run in terms of predicted growth over the next three years. However, it isn't all plain sailing and worldwide our respondents identify labour shortages, cost pressures and geopolitical insecurity as three major risks facing their organisation's growth over the next 3 years. Business leaders also express concerns about the potential acceleration of deglobalisation as a result of leadership changes in many countries and the risk of growing protectionist attitudes in some markets.

Earnings expectations up and inflation down

The vast majority (97 percent) of business leaders in ROI anticipate earnings growth over 2.5 percent over the next three years whilst the expectations of their NI counterparts are somewhat more measured at 70 percent. Meanwhile CEOs worldwide share a slightly less optimistic outlook with just over half (54 percent) expecting earnings growth of 2.5 percent or more.

This year our respondents are hardly concerned about interest rates - showing just how quickly the economic cycle can move. In contrast, in 2023 just under two thirds (63 percent) of ROI business leaders were worried about interest rates hikes, rising to 70 percent in NI and 77 percent worldwide. This year interest rates don't feature in ROI as we enter a likely downward trend in the interest rate cycle and only 7 percent in NI continue to express concerns. However, some central bankers have signalled caution on the pace of rate cuts in the context of continued strong wage growth and some possible upside risks to recurring inflation.

Delivering on ambition

So how are CEOs planning on translating their growth optimism into real numbers? Firstly, the vast majority will continue to hire new people. Worldwide 92 percent of CEOs say they will add to their teams. In Ireland the picture is similar. In ROI a massive 97 percent of CEOs expect to recruit more people over the next three years. In NI it's a similar picture with 90 percent expecting to add to their headcount.

Business leaders in many markets also expect it to be challenging to hire the right people. Out of a range of top-of-mind issues faced by CEOs, competition for talent was cited by those in ROI as the second biggest issue ranked by business leaders, exceeded only by the race to embrace and embed generative AI.

For Barrie O'Connell, Head of Clients & Markets at KPMG in Ireland, this data highlights the enduring role of talented, skilled people at every level in successful organisations. "Our experience with clients in every sector shows that technology is front and centre in their business transformation and future growth plans. Almost every CEO has this fear of getting left behind on tech. Yet when we asked our survey respondents about what would help mitigate against tech changes and future proof their business, more often than not it's about having the right people on the team."

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Worldwide, the future of job growth is uncertain, with some markets more bullish over the next three years while others are pulling back in favour of prioritising investment in technology. In the context of growth and transformation objectives, our research asked CEOs where their priorities lay. In ROI, CEOs told us that they were slightly more likely to place capital investment in new technology (57 percent) as opposed to placing more investment in developing workforce capabilities (43 percent) – quite similar to the global average of 59 percent placing an emphasis on capital and 41 percent of their workforce. In NI, local CEOs are equally balanced with 50 percent of them prioritising capital and the same (50 percent) focusing on people.

The Outlook for M&A

Exploring attitudes to M&A, our CEO research found that just over a quarter (27 percent) of ROI CEOs see M&A as the most important strategy for achieving their organisation's growth objectives over the next 3 years, marginally ahead of the figure for their global peers at 26 percent. Meanwhile, for CEOs in NI the appetite for prioritising M&A rises to 37 percent. Of those surveyed, 40 percent in ROI are planning acquisitions compared with 53 percent in NI – somewhat lower than the 95 percent worldwide looking at the same approach.

According to Mark Collins, Head of Deal Advisory with KPMG in Ireland, "A sense that the major economies have passed the top of the interest rate cycle coupled with valuation rebasing in some sectors can provide opportunities to unlock attractive deals. Looking ahead, we anticipate technology, healthcare & pharmaceuticals, and energy & infrastructure to be the most active sectors." As a caution, Collins suggests that attention should continue to be paid to the reasons for deal failure, noting that "while macro considerations can and will continue to be a driver of deals not getting over the line, valuation gaps continue to be cited by many participants as the primary reason for deal failure in the Irish market."

Looking at the funding environment for deals in Ireland, Collins says Irish business benefits from a wide range of financing options. "Irish banks are typically the first port of call for most companies and we continue to close attractive loan deals. The lending environment is somewhat cautious, however, good companies that can express their business plan along with mitigants for business risks such as inflation, availability of employees and market turbulence are getting access to the funding they require."

Questions to consider

Q1 **Have you considered the impact** of a positive change in the interest rate cycle noting the caution flagged by some central bankers?

Q2 **Are your funding strategies** developed to meet your objectives, rather than solely attracting whatever funding is available?

Q3 **What is your deal appetite** given that there may be more opportunity to unlock attractive deals?

Q4 **Have you reevaluated your strategy** in core export markets given varying growth predictions for some countries?

"Valuation gaps continue to be cited by many participants as the primary reason for deal failure"

Mark Collins,
Head of Deal Advisory,
KPMG in Ireland

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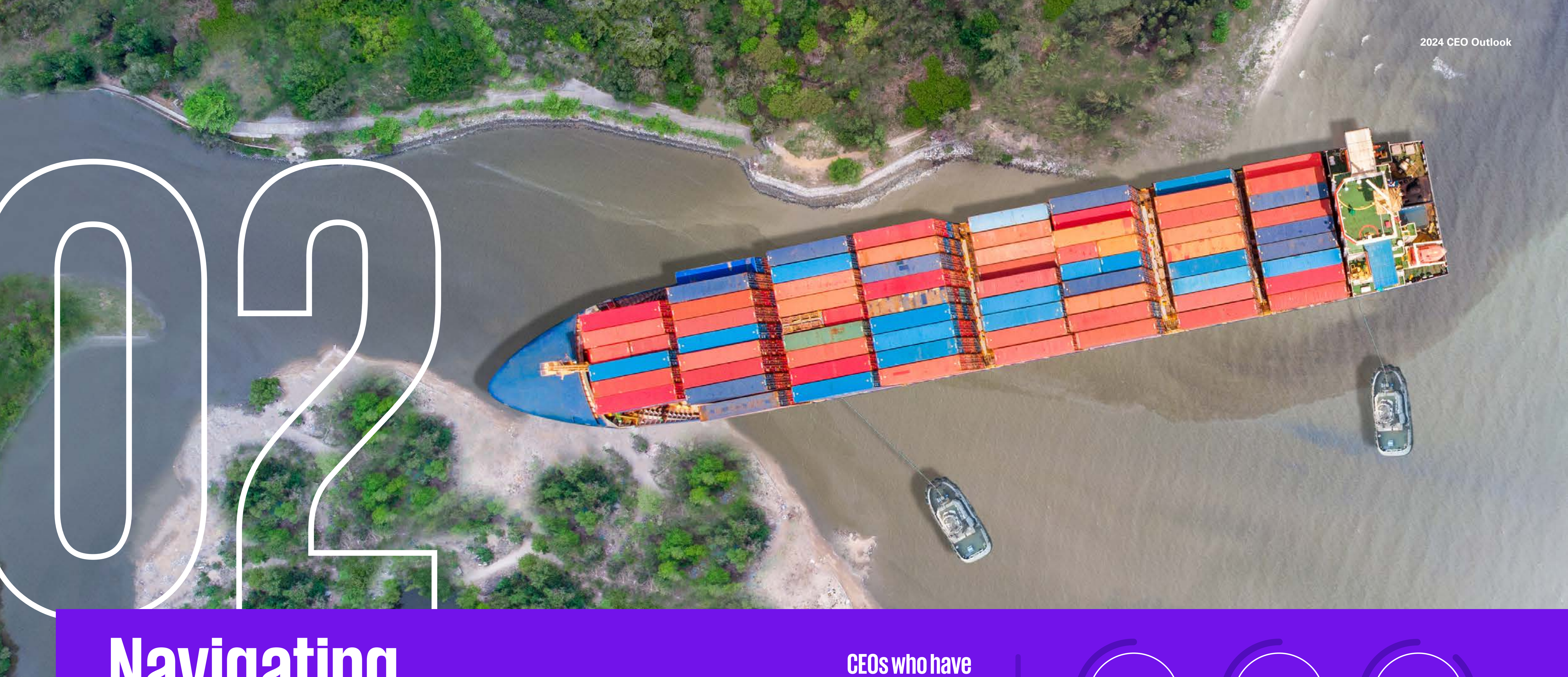

02

Navigating Complexity

CEOs who have adapted growth strategy due to complexity

Global	ROI	NI
69%	63%	93%

Global trade flows and investment patterns are shifting and national security priorities are impacting supply chains and economic relationships. Meanwhile the global regulatory environment for emerging technology is growing more complex and fragmented.

CEOs are spending more time having to consider the implications of change beyond their marketplace. As political leaders show an increased appetite for policy interventions, global security arrangements are changing as many conventional political certainties evaporate. Conflict escalation is on the rise as long standing security arrangements are disrupted.

In addition, emerging technology such as AI is subject to a complex and fragmented regulatory environment evolving in a highly inconsistent manner with related additional costs and uncertainty for business. Notwithstanding a reduction in inflation worldwide, complexity has had the effect of making inflationary pressures stickier and more structural than markets had expected.

A recent KPMG Eurasia group risks report considers that geopolitical developments are likely to continue to influence supply chain strategies and shift investment destinations. It describes a world where no single country or group of countries is able to provide global leadership and generate consensus on how the rules of the international order should work. Business leaders are having to act in an environment hampered by weaknesses in global governance, a rise of conflict, and challenges to multilateralism and free trade.

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Top risk concerns

Against this backdrop and in terms of the likely risks to company growth over the next three years, supply chain issues rank in the top three risk concerns for CEOs globally and both the Republic of Ireland (ROI) and Northern Ireland (NI). It is the one risk topic where there is a strong degree of consistency. Worldwide, CEOs are most concerned about operational risk, with supply chain issues their second greatest concern followed by cyber security. In ROI and perhaps reflecting the globally traded nature of the economy, supply chain risk ranks as the biggest single issue, followed by operational risk and reputational risk. Meanwhile CEOs in NI rank emerging and disruptive technology, regulatory concerns and supply chain matters as their greatest risks.

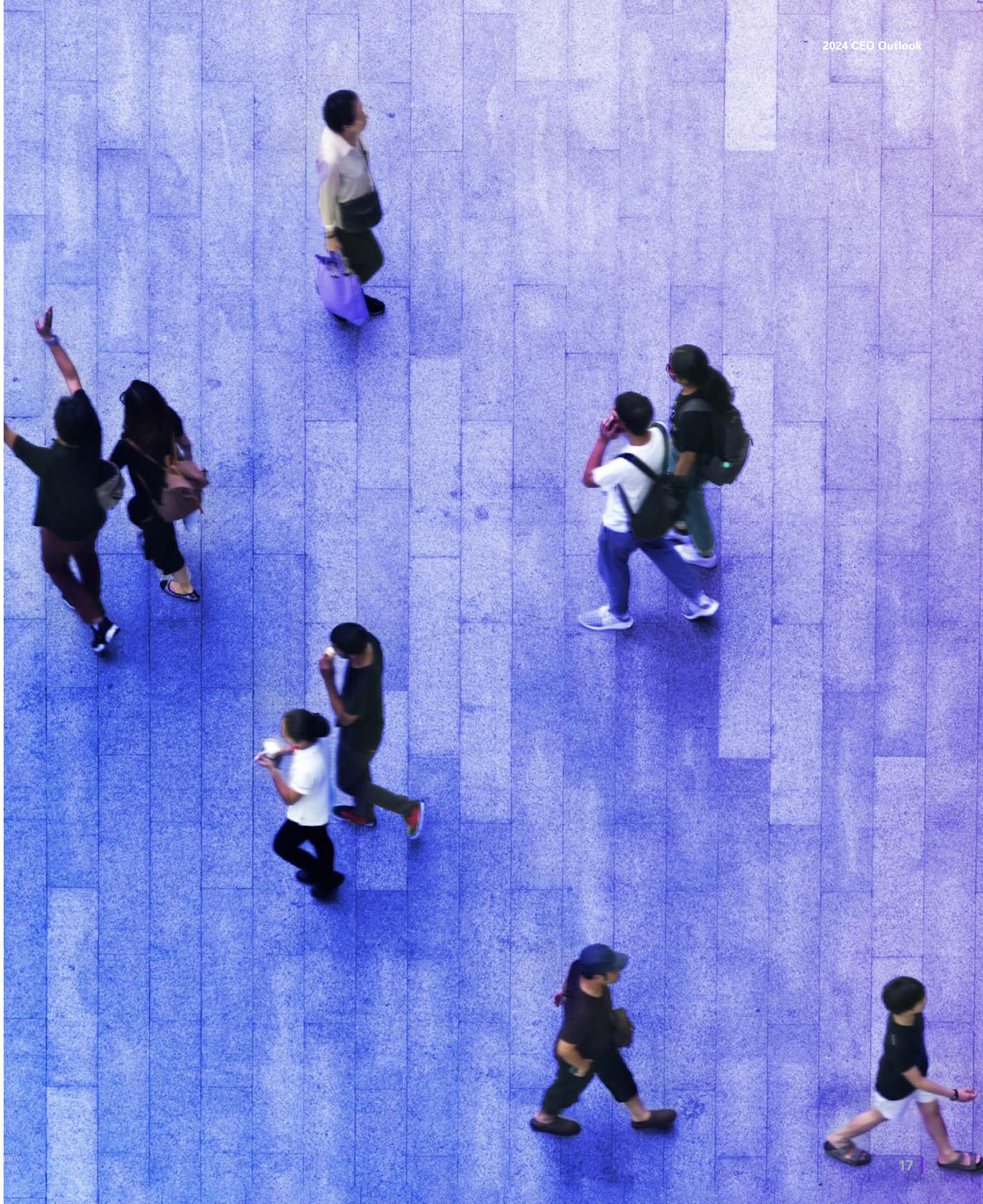
The consistency of supply chain risk as a universal issue is highlighted by the fact that since 2019, almost 3,000 additional global trade restrictions have been imposed, almost tripling in the past four years alone. Swedish retail giant IKEA provides just one example of shifting perspectives as it is reported to be investing in its North American manufacturing capacity to mitigate against continued global shipping disruption in areas such as the Red Sea. For businesses on the island of Ireland, managing supply chain risk means staying aware not just of the potential of post-Brexit related issues, but highlights the need to upgrade information required to navigate trade policy restrictions elsewhere and consider alternative strategies to prevent potential disruption.

For Colm O'Neill, Head of Energy, Utilities and Telecoms at KPMG in Ireland, the implications for Ireland in the context of supply chain challenges are most acute when you consider that we still import over 80 percent of our energy requirements. We have the potential to be energy independent and to turn Ireland into a 21st century industrial powerhouse as we develop the full potential of our offshore wind capacity. O'Neill says that "The energy transition for example provides the exciting prospect of energy independence, mitigating supply chain risk and the potential to transform our industrial base while creating new jobs."

Categorising risk trends

At the macro level, KPMG has identified three major trends likely to impact business operations in the medium- to long-term: the complexification of international trade, the rise of global conflict and the growing gap between technological developments in artificial intelligence and its regulation. Our research shows that globally and based on interrelated challenges, 69 percent of CEOs have already started to adapt their growth strategies over the next three years up from 64 percent in 2023. In ROI the corresponding figure is up to 63 percent from just over half (53 percent) in 2023. Meanwhile we have seen the greatest shift in NI where the level of action already taken has gone from 63 percent to 93 percent in the last twelve months.

Looking at these areas in more detail, we see a world where global trade and investment patterns are shifting. The future of supply chains and economic integration is becoming more dependent on national security priorities and increased policy interventions. Business leaders are also having to deal with the impact of conflict escalation, protectionism and disruption. Despite this reality, relatively few corporations have implemented resilience strategies.



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Meanwhile AI is likely to remain a board priority for the foreseeable future. However, the absence of a universal global regulatory framework for AI remains a challenge for business. Major jurisdictions are developing their own regulatory framework with little global consistency. For example, the EU has introduced the first comprehensive AI legislation, the EU AI Act. This leaves companies having to build internal safeguards against possible external threats and disruptors, whilst leveraging the significant potential benefits AI can deliver. Moreover, maintaining a human-centric view of AI whereby employees and customers feel safe engaging with a business will be essential to long term adaptation. In parallel, the changing nature of cyber risk remains a continued threat with no absolute immunity as an increasing number of local and international businesses can testify.

Operational Priorities

We asked CEOs about their top operational priority to achieve growth objectives over the next three years. Understanding and implementing generative AI across the business including upskilling of workforce and streamlining processes was cited as the number one focus by CEOs in both ROI and NI (27 percent in both jurisdictions) as compared with only 13 percent worldwide. However, the related ambition of advancing digitisation and connectivity across the business was the number one priority worldwide and the second most important priority in ROI where improving the customer experience ranked third. Meanwhile in NI the other top-ranking issues were reconfiguring supply chains and pursuing inorganic growth both tied as the second greatest priorities.

Is it possible that the ability of CEOs to have sufficient insight across the business agenda is being overstretched? Niall Savage, Head of Audit Markets at KPMG in Ireland, cautions against generating a long list of growth initiatives. He notes that no different to recent new or emerging issues like cyber, ESG and post pandemic supply chain disruption business leaders are unlikely to have personal experience of AI or indeed have the necessary skills in-house. The time needed to get up the curve may divert focus from the business while not fully meeting the enormous AI challenge in a timely manner. Savage says, "if you're not already both excited and worried by AI then you urgently need to develop an understanding of the opportunities and threats it presents, by upskilling your people and bringing in third party insight and expertise".

> **The energy transition... provides the exciting prospect of energy independence, mitigating supply chain risk and the potential to transform our industrial base..."**
>
> Colm O'Neill,
> Head of Energy,
> Utilities and Telecoms,
> KPMG in Ireland

Meanwhile, one Harvard Business School Review suggests that as an executive team's priority list grows, revenue growth in fact declines relative to its peers. On a positive note studies suggest that the reverse is also true: executives with the most focused set of strategic priorities (one to three priorities) were the most likely to say they had achieved above-average revenue growth.

Getting it right at board level

CEO growth expectations for their own businesses are high. In fact 97 percent of our ROI respondents and 70 percent of our NI respondents (54 percent worldwide) expect three year earnings growth of 2.5 percent and more. So what of the role of the board in helping propel those expectations into reality while dealing with complexity?

Ryan McCarthy leads the Board Leadership Centre (BLC) in Ireland in addition to his role as an audit partner at KPMG. McCarthy says board effectiveness has come under scrutiny like never before. "Two issues keep coming up in our conversations with members and senior board members. One is that of board effectiveness or performance, and the other is of board composition and they are directly related to each other."

According to McCarthy, "Companies have become more sophisticated in how they think about boards, how they think about the balance of skills, and critically - how they think about diversity, and especially diversity of thought." McCarthy says that for good reason boards have been under understandable pressure to become much more diverse. "Conventional wisdom has considered gender and ethnicity for example. We're now also seeing growing emphasis on diversity of thought. Not for its own sake, but because genuinely diverse perspectives can make a board more considered and help it perform better."

When it comes to how well equipped the board is for leading on risk, Ryan McCarthy also cautions on board composition. "Just because someone has had a successful career in a previous life doesn't necessarily mean they're best qualified to deal with a crisis that might hit the company whose board they serve on." McCarthy also believes boards need to assess if they need deeper support and, in the case of businesses from this island operating internationally, to consider the value of having overseas perspectives, "particularly in light of continually evolving global complexity and risk".

Questions to consider

Q1 **Have you assessed** geopolitical risk as a governance process equivalent to compliance or cybersecurity?

Q2 **Are you reporting** regularly and systematically at board level on risk assessments and mitigation plans?

Q3 **Should you be bringing** more diverse and international perspectives to your board to ensure better informed decision making?

Q4 **Are you challenging** prior geopolitical assumptions and considering new risks with external expertise where necessary?

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The Tech-Savvy CEO

CEOs have strong views on the advantage AI and other technologies brings to business, balanced with the awareness of potential cyber and regulation risks.

While not digital natives, our CEOs have successfully embraced technology throughout their careers, and are increasingly focused on integrating advanced technologies to drive growth and innovation within their organisations. There is a clear understanding that the time is now to push forward with implementing Generative AI within businesses, while staying alert to cyber risks and trust and regulation challenges.

The race to embrace

Driving to adopt and embed Gen AI and other technologies is a high priority. Both ROI and NI respondents reported this was top of mind right now (67 percent for ROI, 63 percent for NI) in line with 64 percent globally. For those on this island, this dwarfed economic uncertainty (37 percent ROI, 43 percent NI) geopolitical complexities (23 percent ROI, 27 percent NI) and organisational growth prospects (27percent ROI, 43 percent NI).

Reinforcing its importance, Gen AI ranks in the top three strategies for achieving growth objectives in the next three years, along with organic growth and M&A both in ROI and NI.

For Owen Lewis, Head of AI and Management Consulting, KPMG in Ireland, transitioning from the planning phase is essential for businesses to achieve tangible results. “There is a huge appetite to realise the benefits that Gen AI and indeed more conventional machine learning can deliver. The prize is there for those organisations that can set up their data and technology foundations, governance and processes, and customer propositions to realise the AI advantage.”

When it comes to the main benefits of implementing Gen AI across their business, ROI CEOs report faster data analysis and increased efficiency and productivity (through automating routine operations). In NI, the opportunities for new product and market growth are top of the AI benefits list. However, Lewis also notes, “It’s imperative for businesses to approach AI adoption with an open mind and a laser focus on value creation.”

CEOs with Gen AI front of mind above all else

Global	ROI	NI
50%	77%	57%

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Deciding what's best

61 percent of CEOs globally report that ethical issues are the biggest challenge in implementing generative AI in their organisations, an increase from 57 percent from 2023. This figure rises among CEOs in both ROI and NI with 87 percent and 77 percent respectively reporting ethics concerns. However, in ROI the lack of regulation is an even bigger AI issue for 90 percent of respondents. Meanwhile in NI, ethics and regulatory concerns are of equal importance. Yet optimism is strong among CEOs as only 13 percent in both ROI and NI believe the pace of progress on Gen AI regulation will be a barrier to their organisation's success, compared with 69 percent globally.

93 percent of respondents in ROI and 70 percent in NI also believe the degree of regulation regarding Gen AI should mirror that for climate commitments. The global figure stands at 76 percent.

Gillian Kelly, Head of Consulting at KPMG in Ireland, believes we are well placed to benefit from the early adoption of AI opportunities. Kelly notes that significantly fewer Irish respondents cite regulation as a barrier to success, indicating an understanding of the role of the EU AI Act. "The research displays CEOs who are clear on the importance of regulations, but not feeling held back by their necessity. Here in Ireland, the EU AI Act equips those businesses with the essential tools to address implementation challenges effectively. It's now crucial for businesses to move beyond discussions and start implementing."

Challenges of implementation

Perceived costs of implementing Gen AI was stated as a challenge for 77 percent of ROI respondents, lowering to 50 percent in NI. This figure falls to 46 percent globally. The pace of developments is also a factor, for half of those in ROI (50 percent) and a third in NI (33 percent) saying taking time to implement changes may be difficult.

Although it may be somewhat daunting, Gillian Kelly highlights the immense opportunity for businesses if they engage with advancements in technology; "Navigating the world of emerging technologies is a rewarding experience, marked by constant innovation and the potential for substantial impact. Although challenges will always remain, these are far outweighed by opportunities."

Time to upskill

When asked which the top operational priorities are to achieve growth objectives in the next three years, CEOs in both ROI and NI named their top priority as understanding and implementing Gen AI across the business, including upskilling of workers, and streamlining processes. Specific investment in developing these skillsets was reported by 43 percent in ROI and 50 percent in NI, a figure higher than seen globally at 13 percent.

However, our research shows significant concern, particularly amongst those CEOs in ROI, in the ability of workers when facing this new era of Gen AI supported workstreams. Technical capability and skills required to implement Gen AI was reported as a challenge for 93 percent of CEOs in ROI, yet this drops to less than half (47percent) in NI. Globally this stands at 48 percent.

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Acknowledging this challenge for CEOs, Gillian Kelly urged business leaders to move forward with adapting their workforces.

"It's important to make sure your people have the correct skill set for this rapidly changing environment. Reskilling may be needed to help your teams get the most out of technology, and to make sure that where technology is used to replace some of the tasks they currently perform, they have the opportunity to re-focus on other valuable areas. The time is now to invest in your people."

Cyber-Attack Ready

Every business leader has seen the headlines. CEOs are acutely aware of the threat posed by cyber-attacks. Worryingly, 100 percent of those in ROI and 53 percent in NI state that cyber crime and insecurity will negatively impact their organisation's prosperity in the next three years.

The latest KPMG Enterprise Barometer revealed that a majority (74 percent) of businesses in Ireland reported their company had never experienced a cyber security attack. Yet it is encouraging that organisations are not waiting until they have first-hand experience before putting protective measures in place.

In the face of a potential attack, 73 percent in ROI report feeling well-prepared, however, this falls to just over half in NI (53 percent). Globally this is also a sentiment shared with 48 percent reporting same.

For Dani Michaux, EMA Cyber Leader, KPMG in Ireland; "Resilience will be critical as businesses adapt to digital transformation and AI advancements, which may also bring their own set of cybersecurity concerns."

Our research also shows 70 percent of CEOs in ROI report confidence in their organisation's cyber security ability to keep up with rapid AI advancements. Yet this falls to just 43 percent in NI. This is close to what we are seeing globally at 51 percent and brings into focus the need to continually prioritise cybersecurity measures. CEOs are all too aware of the importance of investing in robust frameworks to mitigate risks, especially as AI and other technologies advance at pace.

Dani Michaux also notes that although AI has a part to play in this defence, the people factor must not be forgotten. "Part of the solution is to deploy AI to bolster cyber defences, but the human element of the equation remains critically important".

Michaux concludes "Humans are the best line of defence. We are best placed to detect phishing emails and prevent ransomware attacks. Ultimately, the key to reducing risk is to bring human critical thinking and scepticism to bear. There is no substitute for keeping your people in the loop".

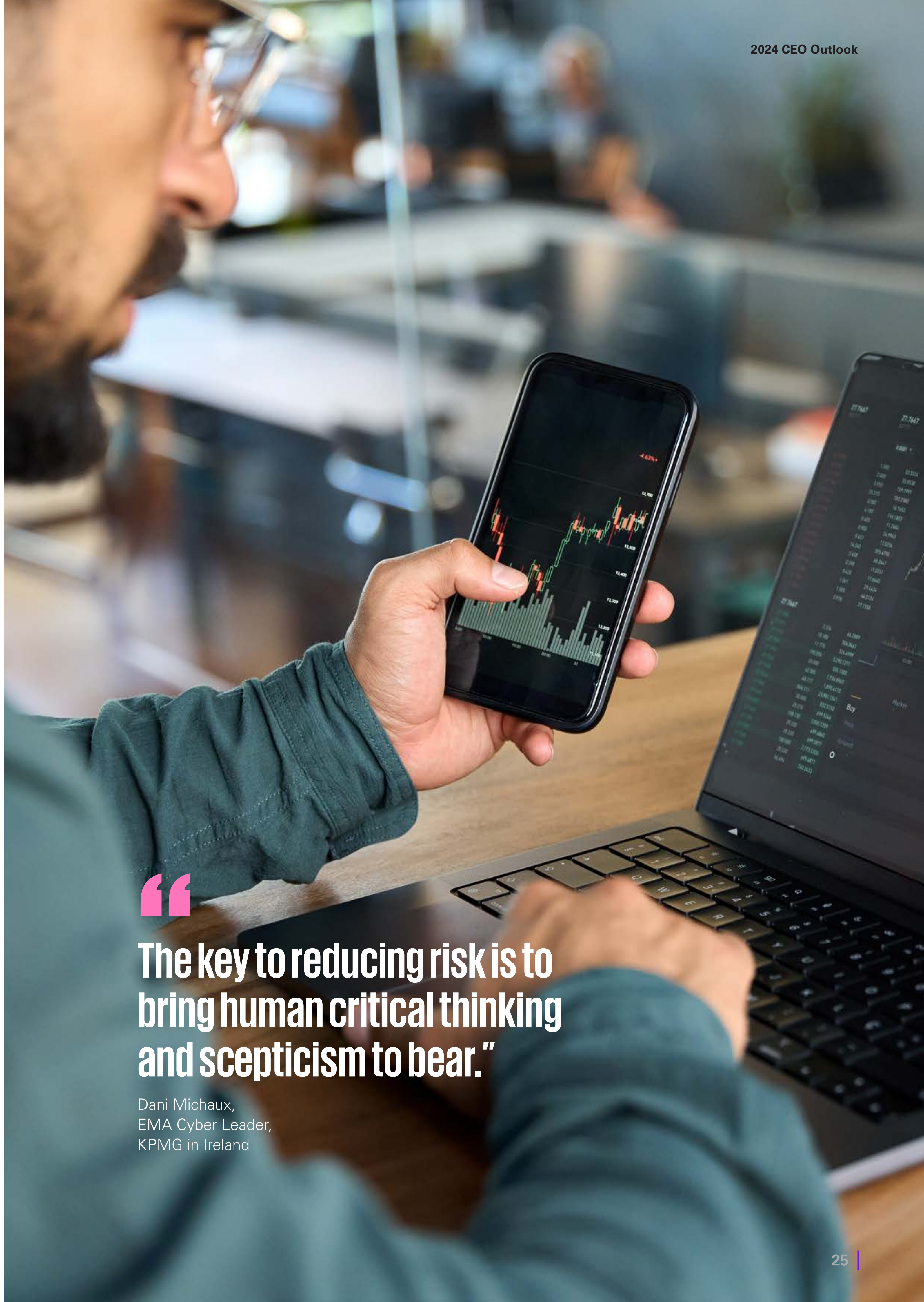
Questions to consider

Q1 **Have you considered** the cost of a cyber breach? It's almost certainly higher than the cost of prevention.

Q2 **Do you foster a culture** of digital curiosity and continuous learning across your teams?

Q3 **Are you compartmentalising** AI as a risk and compliance issue or really seeking out opportunity?

Q4 **Are you personally at risk** of getting left behind or are you using new tech to understand its potential?



"The key to reducing risk is to bring human critical thinking and scepticism to bear."

Dani Michaux,
EMA Cyber Leader,
KPMG in Ireland

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04

Getting it right on Talent

CEOs planning to hire in the next three years

Global	ROI	NI
92%	97%	90%

What people do at work and how they do it is linked to technology like never before. And as CEOs commit to hiring more people, humans will be centre stage for some time.

Business leaders in Ireland north and south, in common with their global counterparts are looking to hire more people. In the context of a record number of people at work in both ROI and NI, 97 percent of respondents in ROI and 90 percent in NI expect to increase headcount in the next three years. This is up from 70 percent (ROI) and 67 percent (NI) only two years ago. Notwithstanding the good news on jobs, we also asked respondents about talent risks. 90 percent of CEOs in ROI and 67 percent in NI believe that lack of talent and reskilling poses a real threat to their company prosperity in the near term in comparison with 65 percent worldwide.

Our research also confirmed generative AI as a top investment priority. Over two thirds (67 percent) in ROI are committed in this area, similar to those in NI (63 percent). We have already noted the importance CEOs attach to the upskilling of employees to meet business objectives. However, when we asked respondents if their organisation was equipped to upskill their employees to fully leverage the benefits of generative AI, only a little over a quarter (27 percent) in ROI agreed, albeit that their NI counterparts felt better equipped at 40 percent.

Strategies for change

For Conor McCarthy, Head of People and Change at KPMG in Ireland, our CEO Outlook data reinforces the increasingly prevalent conundrum. Organisations are hiring, CEOs believe in the transformative power of technology, but there are deep uncertainties on how best to make the most of new tools while keeping the workforce motivated and committed. According to McCarthy, "There has never been a better time to be in the people advisory world because some of the biggest challenges facing organisations right now are human challenges."

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McCarthy says that the business case for adopting technology needs to be underpinned by hard metrics, and that the human side can often be obscured in vague sentiment or aspirational language that can fail to stand up to scrutiny.

According to McCarthy, KPMG studies show "employees lack awareness of, or confidence in, their companies technology strategies. Despite the race to embrace AI for example, little more than half of respondents in one recent survey said their employer has adopted new technologies over the past three years." McCarthy believes that this can be interpretation rather than reality and reinforces the value of communication and leadership role modelling of use cases in their BAU activities. The fact that we are endlessly asked about communications 'suggests that many organisations are still struggling to get it right."

The theory of the boardroom can collide with the office with often alarming, yet according to McCarthy, foreseeable consequences. He also cites recent KPMG research which shows that almost two in five workers feel that productivity improvements "are outweighed by the effect on their wellbeing and mental health. A fifth believe technology has in fact impaired their productivity."

Reflecting on how easy it is to get it wrong when introducing new technology, McCarthy says that when employees threat responses are high, "it's not surprising that they focus on defensive responses and this the very opposite of what organisations need. When consultation is neglected, it's no surprise when the technology doesn't deliver on expectations." When considering how best to move forward, McCarthy suggests letting your people, at all levels, be your primary source of ideas. "Pilot the technologies everyone can benefit from using, and test ideas through to business cases. This level of consultation bakes consultation in from the start and ultimately pushes adoption beyond the required tipping points."

Gender equality – still minding the gap

Business leaders appear to be placing even greater value on accessing the best talent. We asked CEOs if they felt that achieving gender equality on their boards will help achieve growth ambitions. Whilst the global endorsement of this principle increased from 77 percent to 79 percent in the past 12 months, in ROI the jump was significant – up from two thirds (67 percent) to emphatic unanimity in 2024 at 100 percent. Meanwhile the corresponding improvement in NI was a welcome increase from 83 percent to 90 percent. According to KPMG's Conor McCarthy the sentiment is "a welcome further shift not just on gender diversity but a recognition of its benefits, not least the broader perspectives that come with maximising the talent pool."

Scrutiny shifts

However, there is also a perceptible shift in our survey when it comes to scrutiny of diversity efforts. There was a notable year on year drop in CEOs on the island of Ireland who expect scrutiny of their diversity programmes to increase - in marked contrast to the international experience. The shift in ROI is down to 37 percent in 2024 from 60 percent in 2023 in terms of those who expect increased scrutiny of diversity efforts. Meanwhile, in NI the figure drops from 70 percent to 43 percent in contrast to little change worldwide with a marginal decline year on year from 71 percent to 70 percent.

Ryan McCarthy of the Board Leadership Centre in Ireland welcomes the fact that our research shows that CEOs still see the obvious advantage in diversity in terms of company performance. However, he says the race is far from run and he expects scrutiny to continue despite this year's data. "The drop in anticipated scrutiny may be a function of some companies thinking that they have made a certain amount of progress which has had an impact."

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Ryan McCarthy sees first-hand evidence that Irish companies have taken diversity seriously. "We have come a long way, particularly in the last ten years, in terms of boardroom diversity from a gender, and to some extent, an ethnicity point-of-view." The progress is welcome, but he believes CEOs need to challenge themselves regarding a deeper layer to diversity that is increasingly being exposed at board level, diversity of thought. "Do we have young people on boards? Do we have people from different educational backgrounds, different backgrounds in terms of skills, particularly around emerging areas of technology and innovation? Next time you talk about diversity, add diversity of thought to the agenda."

The future of work

We asked respondents how they envision the working environment in three years' time for corporate employees whose roles were traditionally based in-office. 83 percent of CEOs worldwide foresaw their teams in office compared with 90 percent in ROI and 80 percent in NI. The converse being that 13 percent of global CEOs predict hybrid models compared with 10 percent in ROI and 20 percent in NI.

Our CEO research shows that the return to office debate continues to give food for thought. Coverage regarding the future of work has highlighted issues such as the benefits of being in person in terms of building relationships, problem solving, career and skills development and the positives that come from workplace sociability. The debate contrasts these considerations with an employee desire for continued flexibility and successful CEOs are those who have adapted well to this evolving workforce dynamic. The leaders who prosper are those who put people at the heart of their growth strategy and keep up with the evolving expectations of existing and future talent. Seamus Hand, Managing Partner of KPMG in Ireland, says "As the debate about hybrid working continues for CEOs, the sentiment shows that a growing number of business leaders believe that there will be a return to pre-pandemic ways of working within the next three years."

Questions to consider

Q1 **AI has profound implications** for careers and the workplace. Are you leading on building the trust required for success?

Q2 **How well do you understand** what your people want regarding the future of work and how it aligns with your strategic ambitions for the business?

Q3 **Are you revisiting** your talent strategies given the implications of technological change and opportunity?

Q4 **Are you continuing to drive** equality and diversity as an opportunity beyond compliance?

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"Next time you talk about diversity, add diversity of thought to the agenda."

Ryan McCarthy,
Board Leadership
Centre in Ireland.

ESG Strategies

ESG strategies are having to withstand and adapt to a rapidly changing environment. CEOs are evolving their approach to reflect changing priorities, and in many markets shifting stakeholder pressures.

Our research shows that purposeful, sustainable growth remains an ambition for business leaders everywhere. 69 percent of CEOs globally (43 percent in ROI and 60 percent in NI) say although they have retained the same climate-related strategy in the last 12 months, they have adapted communication (both language and terminology) to meet changing stakeholder needs.

Meanwhile 57 percent of respondents in ROI and 40 percent in NI report to have evolved their strategy to meet those needs. As noted, our research shows that changes triggered by technology, regulation and continuing uncertainty geopolitically are weighing on CEOs minds – far ahead of environmental threats.

Perhaps reflecting slower than expected technology gains, when it comes to decarbonising their operations, 40 percent of CEOs in both ROI and NI are not confident they will meet Net Zero goals by 2030. This is almost double the figure of 21 percent reported globally.

The economic case

The business case for ESG initiatives is well considered with 63 percent in ROI and 57 percent in NI fully embedding ESG into their organisation as a means to create increased value. This is lower than 65 percent reported globally.

However, CEOs are pragmatic about the possible return of ESG investments, with a large majority in both ROI (77 percent) and NI (90 percent) believing it will be between three to seven years before this materialises. There is also an understanding of the broader impact of ESG strategies across all facets of business.

Only 7 percent of business leaders in ROI and 13 percent in NI expect driving financial performance to be the greatest impact of their ESG strategy in the next three years, in line with 10 percent globally.

Instead, CEOs feel that the greatest benefit lies in attracting the next generation of talent (47 percent in both ROI and NI) and strengthening employee engagement and employee value proposition (27 percent in ROI and 30 percent in NI) will be the most significant effects. This compares to 9 percent globally.

For Russell Smyth, Head of Sustainable Futures at KPMG, the understanding that ESG strategies can achieve much more than purely increased growth is key; "Base your efforts in a strong strategy, led by a solid vision. Real change happens best when leaders are clear and focused on the end goal. Without true guidance from leadership, the choices needed to unlock real value from ESG strategies will fall short."

CEOs who have embedded ESG in their strategies

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> **"Without true guidance from leadership, the choices needed to unlock real value from ESG strategies will fall short."**

Russell Smyth,
Head of Sustainable Futures,
KPMPG in Ireland

Shifting pressures

Our findings highlight the challenge of navigating environmental, social and governance priorities for today's CEOs. Alongside a growing awareness of ESG's impact on trust and reputation, the increasingly polarised nature of the ESG agenda in many markets is heightening the pressure felt by business leaders. CEOs from this island operating worldwide are well advised to understand and consider the often different dynamics that may pertain elsewhere.

More than half of CEOs globally (60 percent) believe that as trust in governments decline, consumer and public expectation of them and business are high to help fill the void on societal challenges. This is down four points from 64 percent in 2023, and down 11 percent from 71 in 2022. This trend is not reflected in our findings in Ireland with 80 percent of those in ROI and 67 percent of those in NI believing the public is increasingly looking to businesses to step in and fill the void, up considerably from 57 percent and 50 percent respectively in 2023. This suggests that although a changing socio-political landscape may be evident globally, it isn't currently a feature here.

Evolving stakeholder outlooks is also reported globally, with 38 percent of CEOs reporting that expectations are changing at a pace faster than organisations can manage in adapting their strategies. This pressure is also reflected in Ireland with approximately a third (33 percent in ROI and 30 percent in NI) reporting similar effects.

In 2015, CEOs worldwide ranked environmental risk as their least important priority risk; almost a decade later in 2024 respondents globally tell us that the biggest downside of failing to meet ESG expectations would be to give their competitors an advantage, coming out ahead of threat to their own tenure and recruitment challenges. In ROI the biggest impact would be loss of customers whilst north of the border in NI a loss of customers ties with competitors gaining a competitive edge as the greatest negative impact of not meeting ESG expectations.

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Meeting reporting standards

ESG is a double headed topic for business leaders combining both a strategic lever to help organisations identify risk and maximise opportunity and a compliance requirement. 60 percent of CEOs in ROI and 63 percent in NI agree that they have the capability and capacity required to meet new reporting standards. For the second year running this is lower than the global average of 76 percent and continues to be a concern given mandatory reporting requirements.

Emer McGrath, Head of Audit at KPMG in Ireland says: "As non-financial reporting becomes a key governance matter for organisations, it must be prioritised. There is now a real need for businesses to integrate ESG considerations into their core strategies. Effective reporting not only meets regulatory expectations, but also enhances transparency and accountability."

As noted, the lack of appropriate technology solutions has been cited by CEOs in ROI as the most significant barrier to achieving net zero, with almost a third (30 percent) saying that the tech doesn't yet exist to solve the challenge. Meanwhile for those in NI the complexity of decarbonizing supply chain leads the way with 30 percent, in line with global results at 30 percent.

Other major concerns include a lack of skills and expertise to implement solutions, the complexity of decarbonising supply chains, the cost of decarbonisation, and a lack of internal governance and controls.

Critically, as we look to 2025, when many organisations will be reporting on environmental targets, the complexity presented by the decarbonisation of their supply chains is an issue further compounded by current geopolitical tensions around the world and events affecting many of our main trade routes.

Questions to consider

Q1 **How well resourced** are you to ensure you achieve your ESG compliance obligations?

Q2 **Should you assess** a more formal split of your ESG plans into individual components to help focus on delivery

Q3 **How realistic** are your net zero or sustainability commitments and do you need support in reassessing your plans?

Q4 **How well matched** is your ESG approach to talent acquisition and retention given its potential importance to your people?

"Effective reporting not only meets regulatory expectations, but also enhances transparency and accountability."

Emer McGrath,
Head of Audit,
KPMG in Ireland

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Actions to Consider

Economy

As economic growth in many major countries remains anaemic, scenario plan for varying economic performance in your main markets as conditions can and do differ from Ireland. Meanwhile assess your M&A appetite in the context of a changing interest rate environment and consider that valuation rebasing may reveal opportunities to unlock attractive deals.

Complexity

CEOs are dealing with issues often beyond their core competencies. Reflect on what you are unsure of and get support and insight where you need it. Consider adjusting your view of perceived geopolitical risks - however unlikely some possible outcomes may seem today. For example, assess the impact of potential tariffs to stress test the robustness of your plans.

Tech

Trust is fundamental to the introduction of AI. And as the technology develops faster than related legislation worldwide, you must ensure your AI approach stands up to scrutiny. Meanwhile as cyber-crime evolves, don't underestimate the importance of people and culture in mitigating risk. And don't leave leadership on cyber risk to someone else.

Talent

Make diverse teams for a diverse world your mantra. Recognise that diversity of thought is one of the hardest attributes to identify, yet in a fast paced, complex world it is increasing in importance. Moreover, technology still requires leadership. With talent key to future success, make sure your approach to AI keeps people front and centre of your strategy.

ESG

Take the lead on ESG and consider splitting it into its constituent parts to help get clarity on what matters and where you are well placed and where you need help. Ensure you understand your ever changing regulatory obligations and get external support if you need it. And see ESG matters as being beyond compliance as both a talent magnet and value creator.

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Methodology

About the KPMG 2024 CEO Outlook

This edition of the KPMG CEO Outlook was conducted by Forbes Insights on behalf of KPMG with 1800 CEOs in July and August 2024 and 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 markets including Australia, Britain, Canada, China, France, Germany, India, Ireland, Italy, Japan, Northern Ireland, Spain, the US and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology, and telecommunications).

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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