2021 KPMG East Africa CEO Outlook Survey

Plugged-in, people-first, purpose-led

Foreward

Since Covid-19 was declared a pandemic, business leaders across the globe continue to show resilience by adjusting and continuously formulating strategies to address the dynamic economic circumstances presented by the pandemic.

Through the KPMG surveys of CEOs conducted in January/February 2020 (pre-Covid), July/August 2020 (during the pandemic) and July/August 2021 (18 months since the pandemic), we have witnessed the agility of CEOs' strategies. Despite the slow pace in the availability, roll out and uptake of the vaccine in East Africa, CEOs are optimistic that the future looks promising.

86 percent of East Africa CEOs are confident about the growth prospects of their countries' economies, a significant jump from 32 percent during the pandemic. These CEOs are considering diverse growth levers, including strategic alliances with third parties such as data providers. Supply chain risks remain a major threat for companies in East Africa with 74 percent of the CEOs noting that their supply chains have been under increasing stress over the past 18 months. To support their growth ambitions, 40 percent of the CEOs plan to increase their workforce by between six and ten percent.

Although CEOs continue to grapple with cyber security and emerging/disruptive technology risks, they are upbeat as 76 percent view disruptive technologies as more of an opportunity than a threat. Indeed, 76 percent of CEOs are actively disrupting their own industry whilst 70 percent are well prepared for a cyber attack.

Undoubtedly, the pandemic has highlighted the socio-economic divide in countries and communities leading to increased public scrutiny of governments and organizations, especially their position on environmental and social issues. This has pushed the Environmental, Social and Governance (ESG) agenda to the frontline as organizations look to live to their purpose. Consequently, 98 percent of CEOs in East Africa are shifting focus to the social component of their ESG as they seek to address social issues such as gender equality, diversity and inclusion.

The pandemic rapidly changed the traditional work environment. Remote working, or what is now commonly known as work from anywhere, has become a central focus for CEOs. Thus, East Africa CEOs are facilitating employees to ensure that they remain engaged, motivated and productive as most organizations embrace a hybrid work environment. CEOs are investing in digital training, development and upskilling to ensure that employees remain future-focused as well as embedding inclusion, diversity and equity. As people-first leaders, today's CEOs continue to respond to the evolving work environment by focusing on employees' mental health and well-being.

Ultimately, leaders set the tone in organizations and in connecting with their purpose. East Africa CEOs are creating a purpose-led and value driven-culture where leaders 'walk the talk'.

Benson Ndung'u
Chief Executive Officer and Senior Partner
KPMG East Africa

Contents

01 Key findings

02 The road to renewal

03 Trusted purpose

04 Digital agility

05 Reflections on the way forward

Key findings

The annual KPMG's global CEO Outlook, which includes CEOs in East Africa, seeks to obtain insights from CEOs on the business landscape in which their organizations are operating. These insights define responses to challenges and organizations of the future.

In July/August 2020, at the peak of the pandemic, KPMG conducted a pulse survey to establish how the CEOs were responding to the realities and challenges of the pandemic at a time when the world had almost ground to a halt. At that time, the CEOs were sceptical about a return to normal in the near-term.

18 months after the pandemic, we conducted a survey of CEOs seeking their insights and perspectives of the future. The 2021 KPMG East Africa CEO Outlook speaks to a promising future on the back of rebounding economies and positive sentiment.

East Africa CEOs are optimistic about the growth prospects of their countries' economies and their industries. Strategic alliances with third parties, Mergers & Acquisitions and organic growth are among the strategies the CEOs will be engaging to drive growth while diversifying sources and locations of input to strengthen their supply chains for business resilience.

Global interconnectedness, institutional investors, regulators and varied stakeholders have shone the spotlight on ESG transparency. As confidence and trust in governments sways, the public is looking up to businesses to fill the void. Consequently, CEOs see themselves increasingly playing a role in addressing global challenges, from income inequality to climate change.

East Africa CEOs are also prioritising their people. As hybrid work has continued to gain currency, CEOs are making investments aimed at facilitating their people to ensure that they remain engaged, motivated and productive.

The road to renewal

Despite continued uncertainty and risk volatility, East Africa CEOs are confident and optimistic about growth, feel a strong connection to their purpose and are looking to drive expansion.

Rebounding growth

82 percent of East Africa CEOs are confident about the growth prospects of their country compared to only 32 percent at the height of the pandemic. Despite the slow pace in vaccinations in East Africa, emergence of other virus variants including Delta and supply chains that are yet to normalise, East Africa CEOs are optimistic about the growth prospects of their companies and industry.

Leading with purpose

The disruption by the pandemic put governments across the world under intense scrutiny and consequently diminished the public's confidence in the capability of their governments to mitigate and manage crisis especially those affecting the society. This has shifted focus to organizations to fill the void and East Africa CEOs see their organizations playing a role in addressing societal challenges such as gender inequality and climate change.

Accelerating growth and the digital agenda

Organic growth and strategic alliances with third parties are some of the most important strategies East Africa CEOs will tap into, to achieve their organizations' growth objectives over the next three years. They are also aggressive about their digital investment with 88 percent of them noting the urgency to shift investments to digital opportunities and divest from businesses that face digital obsolescence.

Trusted purpose

With increased stakeholder pressure to build business back better, East Africa CEOs are embedding ESG into business strategy.

Stepping up on social issues

82 percent of East Africa CEOs see themselves increasingly held personally responsible for driving progress in addressing social issues. CEOs also agree that the public is counting on businesses to address societal challenges such as gender inequality and climate change among others as the public's confidence and trust in governments wane.

Collaborating to power sustainability

The pandemic amplified the focus on climate change and sustainability. Consequently, 36 percent of East Africa CEOs say they will invest about 10 percent of their revenues in programs that enable their organizations to become more sustainable. These CEOs overwhelmingly agree that world leaders at COP26 must inject the necessary urgency in the climate change agenda (84 percent).

Connecting ESG strategy with financial returns

40 percent of East Africa CEOs see their organization's ESG programs improving their financial performance compared to global CEOs at 36 percent. It is evident that a lot of work needs to be done around articulating a compelling ESG story and rigour in ESG reporting to meet the expectations of diverse stakeholders especially as CEOs see ESG as a determinant of their remuneration.

Digital agility

East Africa CEOs are strengthening their organization's digital advantage by building a more flexible future of work and operating as part of digital ecosystems.

Building a flexible future of work

East Africa CEOs recognize that majority of their employees are working two or more days remotely and are enabling them to work flexibly. They are equipping them with skills and digital tools that allow for hybrid work and foster collaboration.

Disrupting the disruptors

Rather than be disrupted by competitors, 76 percent of East Africa CEOs are actively disrupting the sectors in which they operate and have an aggressive digital investment strategy intended to put them at the forefront (68 percent).

Partnering for transformation and resilience

East Africa CEOs see forming new partnerships as critical in their digital transformation efforts. These CEOs are also cognisant that a strong cyber security strategy is critical to create trust with their key stakeholders.

The road to renewal

For the first time since the pandemic, our CEOs are full of optimism. Not unsurprisingly, the findings from the East Africa survey generally mirror those of KPMG's Global CEO survey.

In short, East Africa CEOs are optimistic about growth globally, across their own countries, within their sectors and companies. However, certain risks and uncertainties do remain. It is agreed by CEOs that the pandemic has affected companies across the globe, and East Africa has not escaped. However, over the last 12 months, 52 percent of Global CEOs have seen the start of the bounce-back, compared to 44 percent of CEOs across East Africa. So East Africa appears to be lagging in the rebound. In Ethiopia however, the uplift over the last 12 months has been recorded by 60 percent of East Africa CEOs, while Rwanda CEOs are less bullish, with 29 percent seeing recovery.

The bar charts below represent the shift in opinions on growth prospects by East Africa CEOs in our surveys conducted in July/August 2021 and July/August 2020.

Chart 1: Growth prospects post the pandemic

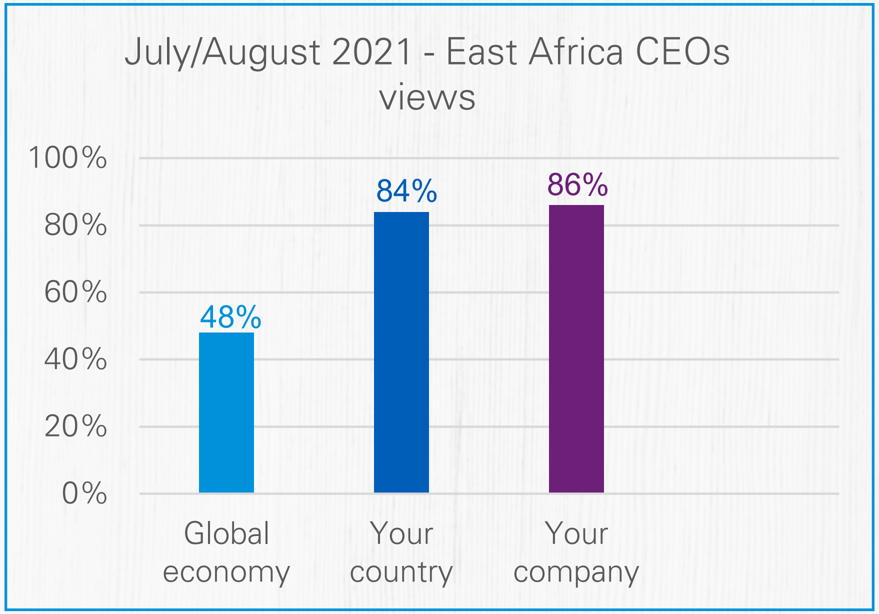


Chart 2: Growth prospects during the pandemic

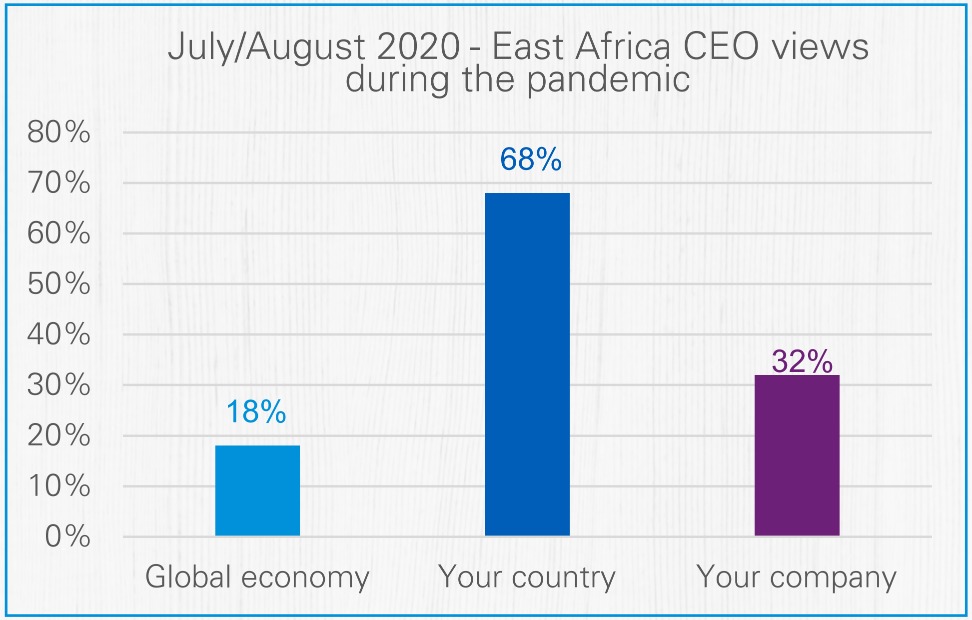
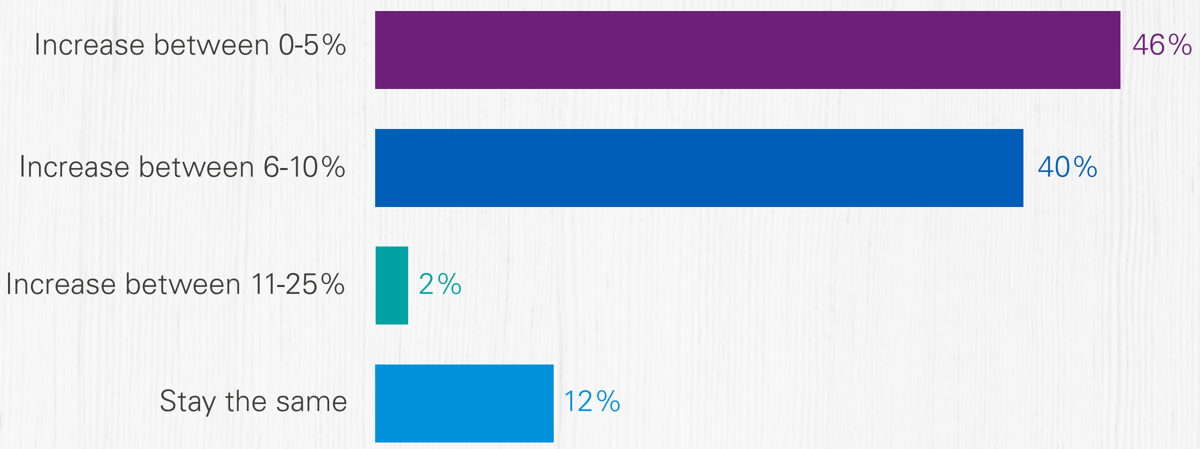


Chart 3: Anticipated increase in headcount.



In line with the growth optimism, East Africa CEOs see their headcount increasing at varying percentages over the next three years as shown on the bar graph on the left.

Primary sources of growth

Across East Africa, 16 percent of CEOs believe the primary source of growth will be from M&A activity, and 36 percent consider organic growth will be the main driver. Yet 87 percent of Global CEOs and 82 percent of East Africa CEOs believe they will make an acquisition over the next three years. Interestingly, in Ethiopia this is not seen as a major influence where 80 percent of growth is expected to be organic.

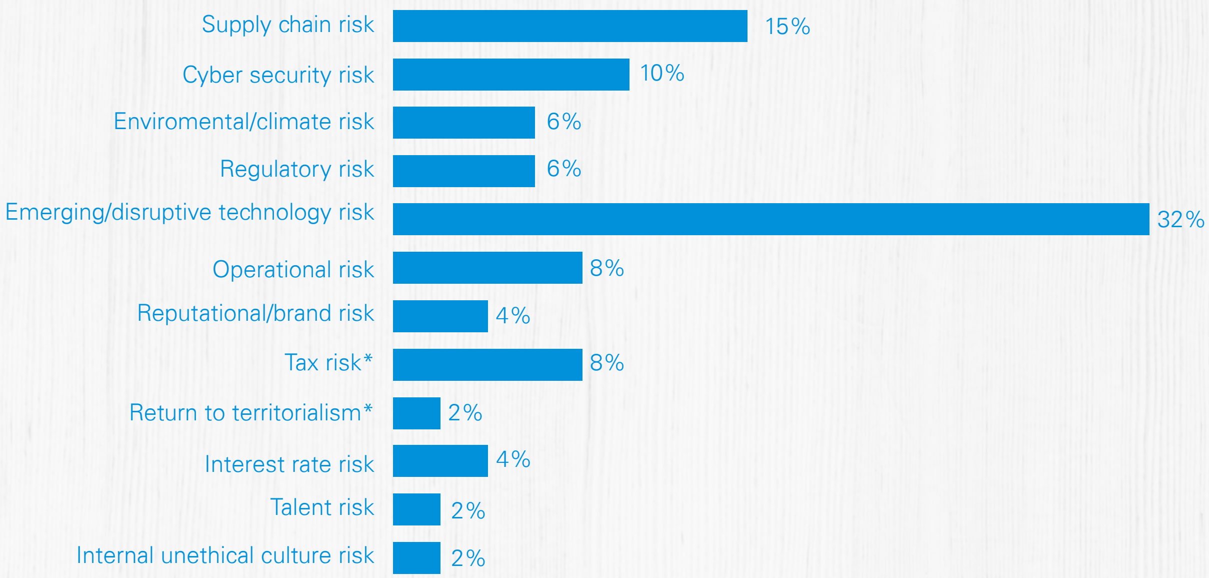
The M&A bounce-back is a reflection of a return to a more normal trading environment, but also due to greater digitization and customers switching to on-line platforms when making purchases. East Africa CEOs recognize their businesses have to adapt to match these changes. Consequently, 66 percent of East Africa CEOs are looking to invest in new technology, with 30 percent prioritising investment in their staff (or to fill a skill gap).

36%
Organic growth

82%
Anticipated M&A activity

The risks identified by East Africa CEOs in achieving their growth.

Chart 4



Out of 12 risks, East Africa CEOs rank emerging technologies/ disruptive technology risk, supply chain and cyber security as the top risks threatening their growth. The CEOs are exploring diverse strategies to mitigate these risks. They include:

On supply chain which has mainly been disrupted by a slow-down in global movement goods, East Africa CEOs are considering diversification of sources of inputs to make their supply chains more resilient.

Strategic alliances with third party data providers, in cloud technology and collaboration with start-ups e.g. FinTechs, InsurTech and other digital partners. CEOs believe such alliances for digital transformation will spur growth.

The changing views on taxation.

The pandemic put pressure on public finances and highlighted the need for transparency in the tax system. East Africa CEOs recognize that the pandemic has shifted their view on taxation.

74%

East Africa CEOs agree that there will be multinational cooperation on global tax systems.

80%

East Africa CEOs believe there is greater public desire to report their tax contributions – to show that their companies are playing their part.

88%

East Africa CEOs agree that there is a link between public trust and their tax approach.

68%

East Africa CEOs agree that a global minimum tax regime will be a major hindrance to their growth aspirations.

In Summary:

- The views of our East Africa CEOs and those of CEOs globally are very much aligned. There are no material differences across the regions of East Africa
- 86% of East Africa CEOs believe their country will see growth over the next three years and 84% see an upside and business opportunities over the same period
- 48% of East Africa CEOs consider the main driver of growth will be derived from some sort of alliance. 16% consider the main driver will be from M&A while 82% expect they will be involved in an M&A transaction over the next three years
- 88% of East Africa CEOs believe headcount will rise over the next three years and 34% will mainly focus will be on investing on staff
- Supply chain challenges remain. 16% of East Africa CEOs consider this the main risk to growth, while 32% see disruptive technology as the greatest risk
- There is a large expectation that the pandemic will result in tax changes and 68% of East Africa CEOs consider this to be a major challenge in delivering their growth aspirations
- 88% of East Africa CEOs are cognisant of the public's desire to see their company play its part and thus reporting of their tax revenues

Nigel Smith
Head of Deal Advisory, Transaction Services and Strategy
KPMG East Africa

> The M&A bounce-back is a reflection of a return to a more normal trading environment, but also due to greater digitization and customers switching to on-line platforms when making purchases.

Leading with purpose

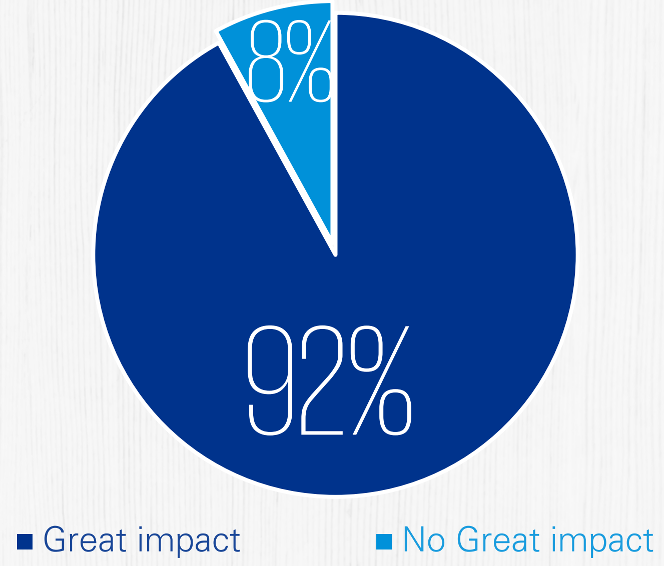
The convergence of issues ranging from climate change to social tensions has not just created widespread uncertainty — it has called into question the role that institutions play in the world today. In this context, stakeholder expectations of businesses have risen, and the actions of organizations and their leaders are under increasing scrutiny. Today, CEOs aim to deliver the shareholder returns investors expect and help build a better future for society.

Corporate purpose is key to meeting those goals. Now, more than ever, people care about what the companies they buy from stand for. Purpose is connected to a company's role in society, its impact on the environment, how it sustains long-term value and how it operates within its community. It answers the question: "Why is our company in business — and how will it stay relevant?"

Today, corporate purpose is a business imperative and CEOs recognize its importance. Key stakeholders — from customers, institutional investors and society — expect companies to have a positive impact on a range of areas. In line with their global counterparts, 92 percent of CEOs in East Africa consider purpose to have the greatest impact in driving financial performance; over eight in every ten CEOs consider corporate purpose as being central in driving total shareholder return, building customer relationships and building their brand reputation.

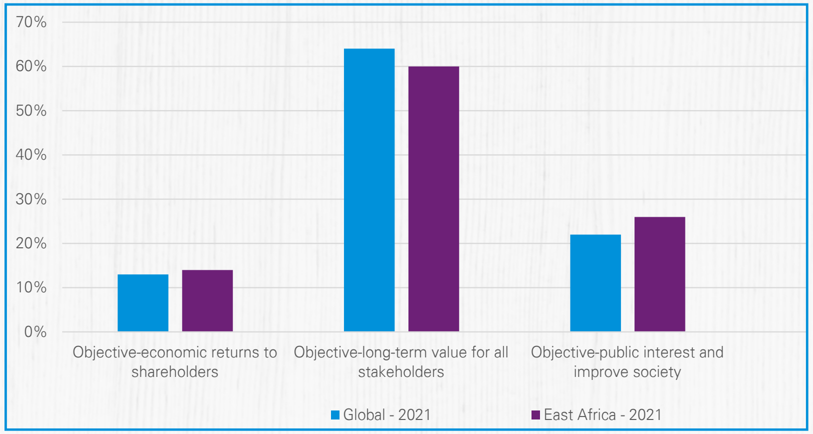
> Corporate purpose is key to meeting those goals. Now, more than ever, people care about what the companies they buy from stand for. Purpose is connected to a company's role in society,

Chart 5: East Africa CEOs consider purpose to have the greatest impact in driving financial performance.



As the public looks to leaders to drive progress on major societal challenges, six out of ten CEOs say their organization's defining objective is to embed purpose into everything they do to create long-term value for all stakeholders, with only 14 percent of CEOs in East Africa focussed solely on managing economic return to shareholders. This reflects a transition of business to multi-stakeholder capitalism.

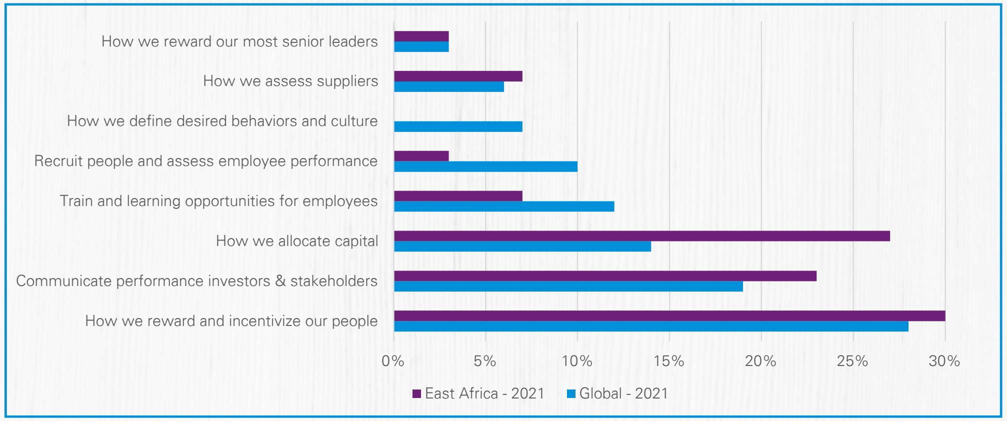
Chart 6: East Africa CEOs view of the overall objective of their organizations



Since the crisis brought upon by the COVID-19 pandemic began, research shows that business leaders feel a stronger connection to their corporate purpose – with 71 percent of global CEOs in agreement compared to 64 percent of East Africa CEOs.

But a common challenge with purpose is how CEOs can turn it from a statement of intent to real actions by executing on their high-level commitments. As they look to embed purpose in the fabric of their organizations, we see CEOs in East Africa and globally, prioritising three things: how they reward and incentivize their people, how they allocate capital, and how they communicate performance to investors and stakeholders.

Chart 7: Areas East Africa CEOs are prioritizing in embedding purpose



Gerald Kasimu
Partner and Head of Advisory
KPMG East Africa

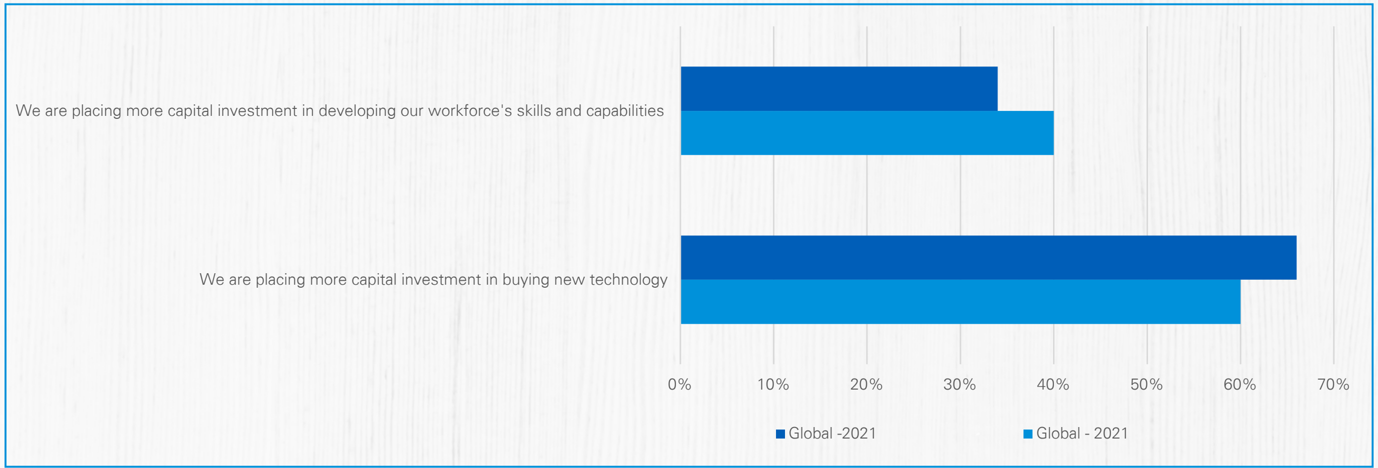
> Since the crisis brought upon by the COVID-19 pandemic began, research shows that business leaders feel a stronger connection to their corporate purpose – with 71 percent of global CEOs in agreement compared to 64 percent of East Africa CEOs.

Accelerating growth and the digital agenda

Although only 44 percent of East Africa CEOs have seen business rebound compared to the global rebound (56 percent) due to the pandemic, 66 percent of CEOs in East Africa are placing more capital investment in buying new technology as a priority for their growth and transformation agenda. This capital investments are anchored on the confidence that CEOs (84 percent) have that their company, industries and the East Africa countries shall grow over the next three years. The digital agenda by the CEOs is a key driver for the accelerated growth across East Africa. This is seen in the results from the CEOs in East Africa which reflect growing optimism around the digital agenda.

- Over 70 percent believe they have an aggressive digital strategy.
- Over 73 percent of the CEOs have their organizations actively disrupting their sectors rather than waiting to be disrupted by their competitors, mainly driven by technology.
- Over 76 percent of the CEOs see technological disruption more as an opportunity rather than a threat
- 70 percent believe they are well prepared for cyber attacks especially with technology being at the centre of their operations
- More than 56 percent of the CEOs plan to increase investment in disruption, detection and innovation processes.

Chart 8: Key expenditure focus on the digital agenda



Jared Nyarumba
Associate Director
Consulting
KPMG East Africa

CEOs view the digital agenda as a key driver for the accelerated growth across East Africa.

Trusted purpose

Putting people first to drive societal return

The debate over which one between profit and purpose is more important is being rendered moot as it becomes apparent that the two are different sides of the same coin. An organization can only attain long term sustainability if the society within which it operates and all its stakeholders are taken care of.

80% of East Africa CEOs indicated that they are using their corporate purpose to help drive action in addressing the needs of stakeholders.

Being a purpose-led organization would mean ensuring that purpose is part of the organization's strategy, framework, structures and every day operations. In order to embed purpose in their organizations, the CEOs in the next three years intend to prioritize reward and incentivizing employees (30 percent), capital allocation (27 percent) and communicating to stakeholders (23 percent). Only 3 percent and 7 percent intend to prioritize hiring people and assessing performance and training their employees respectively. Whereas the response was on prioritization and hence may not mean that certain aspects are mutually exclusive, in addition to reward and incentivizing, organizations should consider a holistic way of involving their employees towards a purpose-led organization for two reasons:

- An organization's purpose is carried by its people while the CEO and leaders have a responsibility to share a clear vision of what the organization believes in and why. Hiring, assessing performance and training can assist an organization create and embed the kind of culture it wants to be known for.
- 48 percent of EA CEOs (62 percent globally) agree or strongly agree that stakeholder scrutiny of their organizations' social issues such as racial, ethnic and gender make up of employees will continue to accelerate. An organization will need to lead by example to demonstrate its own commitment to leading societal change.

98%

of the East Africa CEOs say, "Our response to the pandemic has caused our focus to shift toward the social component of our ESG program.

Changes brought about by the pandemic as well as changing societal expectations have resulted in a major focus on the S in ESG today. 68 percent of both East Africa and Global CEOs agree that as confidence and trust in governments decline, the public are looking to businesses to fill the void on societal challenges such as gender inequality or climate change.

Any aspects of societal change that an organization seeks to focus on will require clear metrics. However, obtaining desired results is not without challenges due to factors that the organization has little or no control over. For instance, something like gender equity in an organization may be affected by cultural and societal expectations, education opportunities or simply the choices made by women in the work place. More recently, the covid-19 pandemic has disproportionately affected women and the choices they have made regarding work hence making it difficult for an organization to meet set goals around retention of women as demonstrated by the survey results.

44%

of the CEOs reported that the global pandemic's negative impact on women in the work place has made it difficult to achieve gender parity goals at leadership levels.

In addition to this limited control of outcomes, 36 percent of the CEOs are concerned that with public, government and investor expectations of diversity, equity and inclusion rising so fast, they may struggle to meet expectations. Although there could be factors that may affect attainment of set goals, societal change is a journey that can be taken a step at a time. Having clear metrics assists the organization to stay accountable to its community and to explore innovative ways to achieve different goals. It is very positive to note that 82 percent of the surveyed CEOs indicate that they will increasingly be held responsible for driving progress in addressing social issues. An organization that takes the inside-out approach, that is, is intentional about being purpose-led and that puts its people first as a way to drive societal return is bound to reap the benefits of creating shared value for both the organization and for the society it serves .

Jane Mugo
Partner
KPMG East Africa

Being a purpose-led organization would mean ensuring that purpose is part of the organization's strategy, framework, structures and every day operations.

Connecting ESG strategy with financial returns

Environmental, social and governance (ESG) matters have continued to dominate the centre stage. ESG is increasingly acknowledged as a significant financial matter that can materially impact businesses. ESG risks, including climate risks, are likely to result in unforeseen financial impacts including losses and liabilities for many companies.

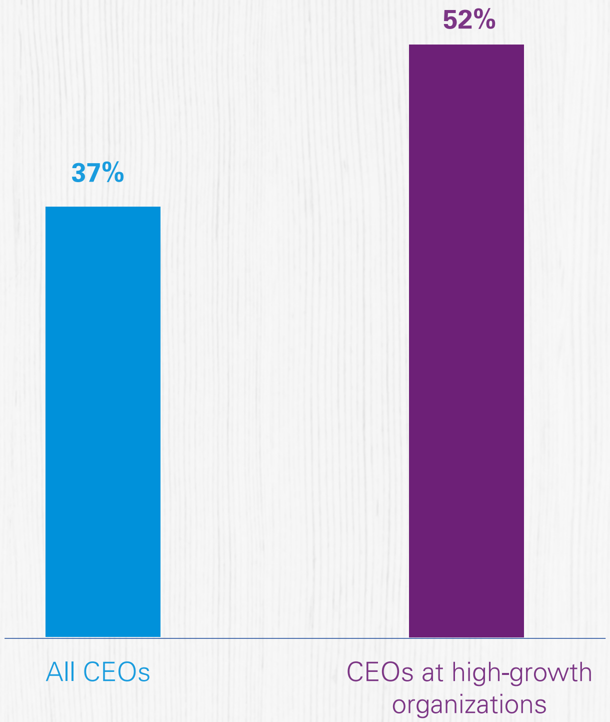
While CEOs acknowledge that social and environmental priorities are key, they are less convinced about making the connection between ESG programs and financial results. Although 52 percent of CEOs at high-growth organizations (those who see earnings growth exceeding 5 percent per annum over the next three years) believe that their ESG programs will improve financial performance, this drops to 37 percent across the wider sample of CEOs.

Further, 40 percent of CEOs in East Africa say ESG programs may reduce financial performance. More needs to be done to connect ESG strategy with financial returns - ESG initiatives are likely to drive financial performance in the medium to long term as a result of organizations embracing improved risk management practices, enhanced reputation, and innovation.

With declining confidence and trust that governments will adequately address the global challenges around gender parity and climate change, stakeholders such as investors, regulators and customers have been piling pressure on the business community to play a bigger role in tackling these challenges. CEOs concur that large corporations have the resources, both financial and people to help governments find solutions to these pressing global challenges.

Indeed, the stakeholders are expecting companies to provide clear communication of the interconnectivity between their financial and non-financial ESG strategies while clearly showing real examples of their commitments to running sustainable businesses. Failure by businesses to respond to these stakeholder concerns will pose a real challenge especially when seeking access to capital markets.

Chart 9: High-growth companies more likely to see their ESG programs driving financial value



East Africa CEOs say ESG programs may reduce financial performance

East Africa CEOs are committed to continue playing an increasing role in addressing and responding to the global ESG challenges. 82 percent observe that the CEO will increasingly be held personally responsible for driving the ESG agenda. 98 percent of the CEOs noted that their response to the Covid 19 pandemic has caused them to shift towards the social component of their ESG programs and 78 percent of them are keen to lock in the sustainability and climate change gains that they have made as a result of pandemic so far.

It is interesting to note that East Africa CEOs agree that their organizations are struggling to articulate a compelling story on their ESG performance in a way that would appeal to their stakeholders, particularly the investor group who are increasingly incorporating ESG criteria into their investment assessments and decisions. It is paramount that organizations gain a better understanding of their investors' ESG information requirements to allow for better alignment of their ESG approaches to the investors' expectations and subsequently reshape communications with them.

The last five years have seen heightened activities through various initiatives by regulators and the stocks and securities exchanges within the East Africa region. Partnership and engagements with institutions such as the UN Sustainable Stock Exchanges (SSE), and Global Reporting Initiative (GRI) among others, have all been geared towards promoting long-term sustainable investment and improving ESG disclosure and performance of listed companies.

It is evident that companies that will formulate clear ESG strategy, will reap the benefits of better ESG risk management. Managing the risks better will manifest in better financial performance.

82%

The CEO will increasingly be held personally responsible for driving ESG issues.

98%

Response to the Covid 19 pandemic has caused CEOs to shift towards the social component of their ESG programs.

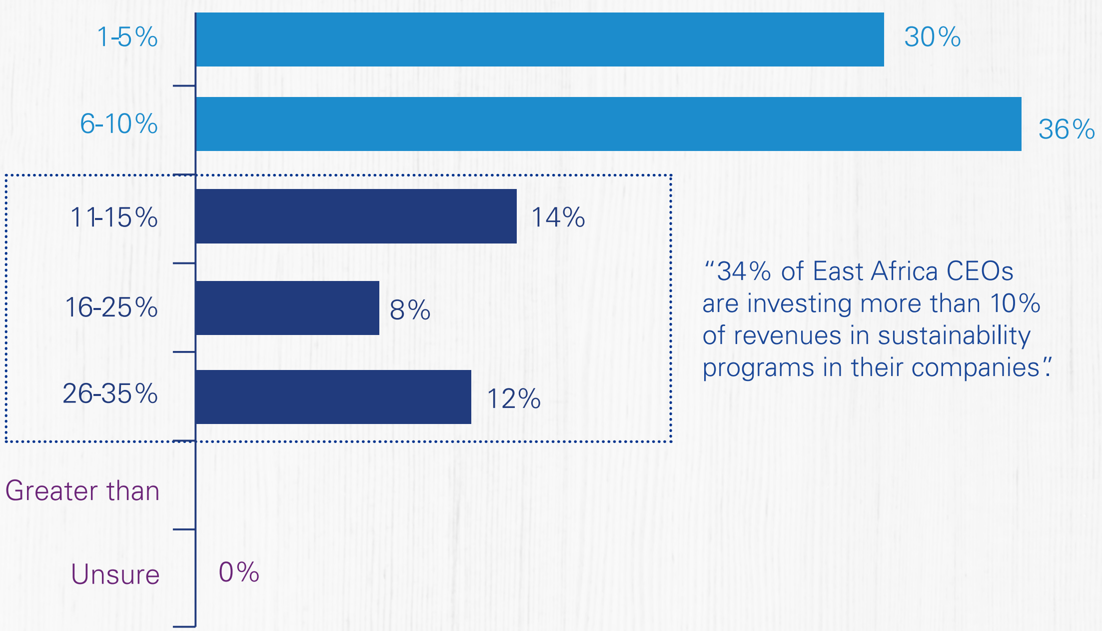
Bernard Amukah
Associate Director
Consulting
KPMG East Africa

> The last five years have seen heightened activities through various initiatives by regulators and the stocks and securities exchanges within the East Africa region.

Collaborating to power sustainability

The effects of climate change are increasingly becoming evident and thus pushing the forefront of governments' and organizations' agendas. There is an acknowledgment that global warming is happening and slowing this down requires collective effort by all stakeholders. East Africa CEOs on their part are setting aside part of their revenues to invest in programs that will enable their organizations to become more sustainable.

Chart 10: Percentage of revenue East Africa CEOs look to invest in sustainability programs



East Africa CEOs see the governments' commitment as essential in the collaborative efforts on sustainability and climate change.

82%

Say that government stimulus is required to turbo-charge climate investments being made by business community.

74%

Say that world leaders at COP26 must inject the necessary urgency in the climate change agenda.

Carbon emissions is the main contributor to global warming and although most organizations have always had measures in place to reduce their footprint, since the declaration of the pandemic, most organizations have stepped up their decarbonization commitments in the race to achieve net zero. The reduced travel due to the pandemic saw a reduction in carbon emissions, a boon to the environment.

78% of East Africa CEOs want to continue to lock the sustainability and climate change gains they have made as a result of the crisis.

> There is an acknowledgment that global warming is happening and slowing this requires collective effort by all stakeholders and East Africa CEOs on their part are setting aside part of their revenues to invest in programs that will enable their organizations to become more sustainable.

Edgar Isingoma
Country Leader and Head of Infrastructure, Government and Health and KPMG IMPACT
KPMG East Africa

> The reduced travel due to the pandemic saw a reduction in carbon emissions, a boon to the environment.

Digital agility

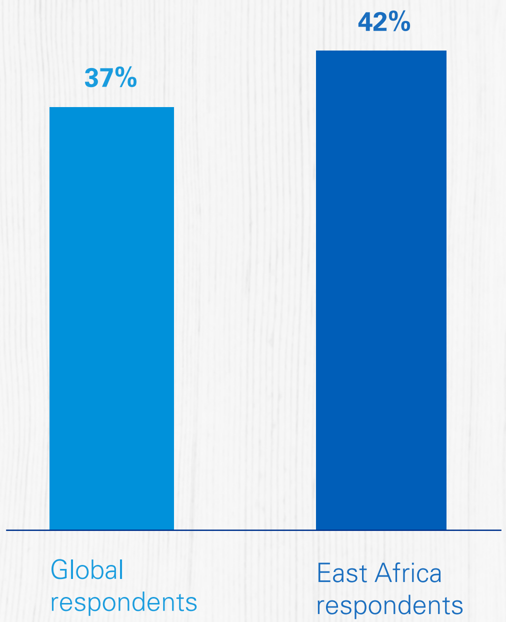
Building a flexible future of work

In the wake of the pandemic, many organizations adopted remote working as part of their business continuity strategy. Since then, some have established remote working as a viable work model while many others have adopted hybrid working. As companies continue the journey to 'normal', work models that were once termed as "sophisticated" and "unrealistic" have become mainstream – successful and productive in most cases. Companies have learnt that implementing relevant adjustments in their operations is no longer an option – it has become a matter of survival.

Over the past 18 months, organizations have continued to analyze the implications of re-opening their offices, especially given the constraints around access to vaccinations in some countries. The 2021 CEO survey reflects a sharper focus on flexibility on where and how work is delivered with:

- 37 percent of global respondents and 42 percent of East Africa respondents planning that most of their employees will continue to work remotely at least two or more days a week;
- Only 21 percent globally (down from last year's 69 percent) and 12 percent in East Africa are looking to consolidate their physical locations; and
- 51 percent globally and 41 percent in East Africa investing in shared office spaces to allow for increased flexibility.

Chart 11: Respondents will continue to work remotely at least two or more days a week



40%

East Africa CEOs will be investing in digital training, development and upskilling to ensure employees' remain future focused.

78%

East Africa CEOs feel that their organization would have some responsibility to help with re-skilling or placement in new roles if this meant some workers were laid off.

As companies consider these changes, it is important that they examine whether their supporting infrastructure, performance management processes and workforce capability are mature enough to support these decisions.

In response to planned initiatives over the next three years to support growth aspirations, 67 percent of global CEOs and 56 percent of East Africa CEOs say they would increase investment in disruption detection and innovation processes. However, when comparing investment in digital technology versus investments in upskilling workforce capabilities, the split globally and in East Africa is about 60:40. This indicates the need for more commitment to enhancing capability amid the companies' push towards digitization as it will be critical for adoption and will help ensure value realization from these huge investments.

According to the World Economic Forum, Future of Jobs 2020, 50 percent of employees will require reskilling by 2025, and this required reskilling could be up to 6 months or less for 40 percent of employees. For the workforce to be increasingly relevant, there needs to be a shift in the learning and performance management processes to focus more on non-technical skills such as reliability, flexibility, adaptability, problem-solving, ability to maintain calm under pressure, emotional awareness and resilience, etc., which emerged as skills essential for success in any role during the pandemic. CHROs will need to continue to figure out the most efficient way to embed faster agility within the organizations. They now need to think about how to:

- Help staff become resilient;
- Support staff to develop a flexible and adaptable mindset; and
- Deepen leadership capability with respect to managing globally diverse and hybrid teams while building the right kind of connection.

According to the World Economic Forum, Future of Jobs 2020, 50 percent of employees will require reskilling by 2025, and this required reskilling could be up to 6 months or less for 40 percent of employees.

In their response to the question on critical success factors for employee engagement, motivation and productivity in hybrid work model.

42%

Global respondents

and

40%

East Africa respondents

are focusing on processes that will help enhance mental health and well-being. This calls for HR teams to deepen their capability beyond focusing on emotional intelligence and extend this to holistic mental health.

Ways of working that were adopted in the wake of the pandemic have necessitated a reorientation not just of operations but also of the workforce. Organizations need to continue to learn how to:

- Upskill managers on how to manage hybrid teams in a manner that keeps people productive yet connected;
- Adapt leadership and managerial style to focus more on coaching and supporting staff through the delivery process as opposed to top-down delegation only;
- Continuously redesign work to focus more on outcomes rather than on process;
- Become better at supporting work-life integration via flexibility around how and where work gets done;
- Focus more on digitizing work;
- Continuously improve on creating virtual connection to reduce the effect of social distancing on employees' sense of belonging and togetherness due to more time being spent off-site; and
- Incorporate improvement in mental health programmes as this is critical for employee wellbeing and productivity.

Titilope Olajide
Associate Director
People and Change
KPMG East Africa

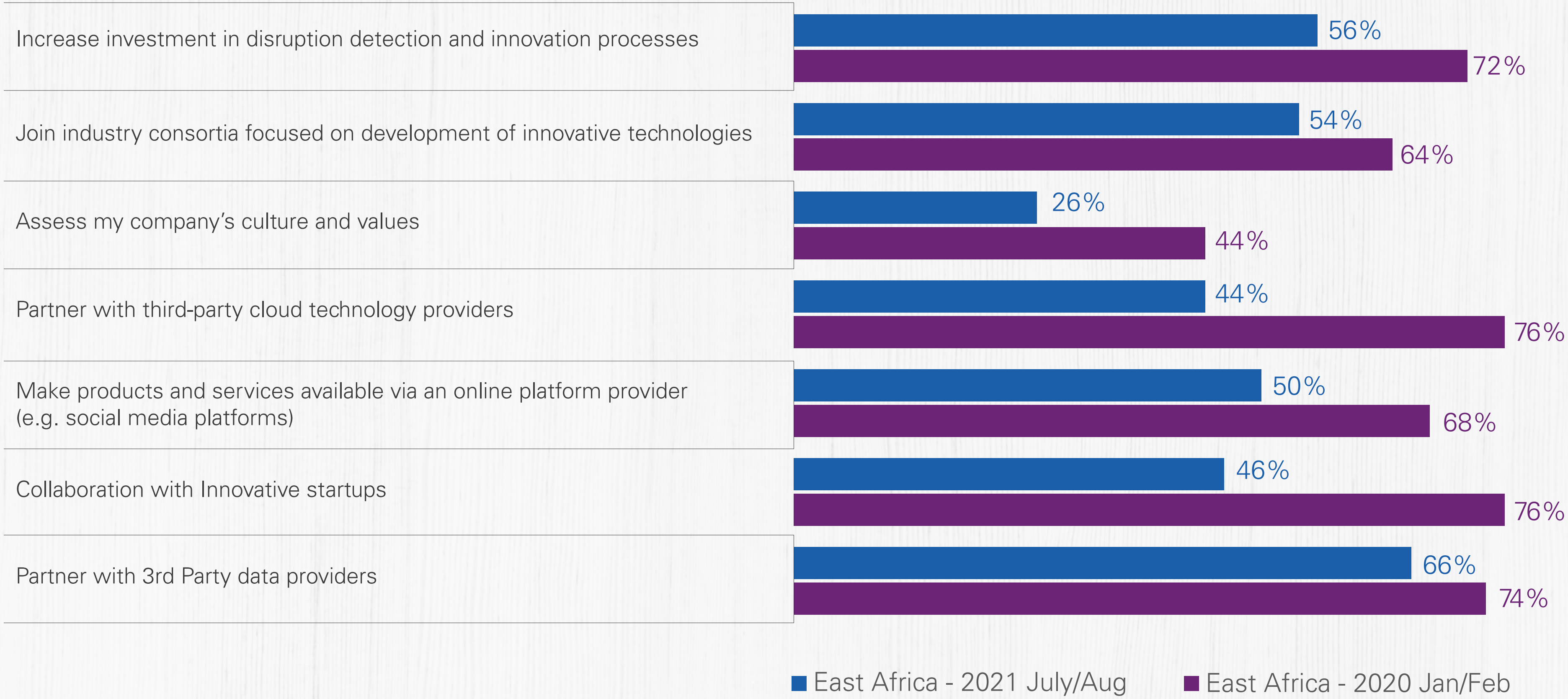
Adapt leadership and managerial style to focus more on coaching and supporting staff through the delivery process as opposed to top-down delegation only.

Disrupting the disruptors

A few years ago, ‘digital disruption’ was a choice in a business strategy. Today, digital transformation is a reality for basic survival. Business models that existed for years can quickly become obsolete or redundant. It is therefore surprising that emerging/ disruptive technology risk remains the number 1 risk for CEOs within East Africa.

Investment in new technology continues to be a priority and the drive to embrace and embed a digital mindset in organizations continues to accelerate across the landscape. Some of the key focus areas for East Africa CEOs as outlined below:

Chart 12: Focus areas for East Africa CEOs in digitization.



East Africa continues on the journey of partnerships and alliances and setting up innovation centres to drive the digital transformation imperative in line with the Global respondents. A more focused use of data and analytics in decision making as well as improvements of delivery channels e.g. social media platforms reflecting regional demographics feature as emerging trends.

The drive for digitization must continue and some factors CEOs need to consider include the following:

- Advancing digitization and connectivity in functional areas and especially back-office processes including Human resource and financial operations and supply chain amongst others. In this ever present age of agility, these processes should be fully automated with seamless self service delivery models to ultimate users and customers without needing to reinvent the readily available standard operating procedures .
- Supply chain challenges around the world have worsened during this pandemic. This has severely impacted technology and utilities infrastructure providers (reliability and availability of electricity and internet access are key examples in the region) that are cornerstones in reinvention of digitally driven business models. Inaccessibility of this infrastructure is beginning to hamper or delay some of the much needed technological strategic changes and companies must take this challenge into account in the short term.
- The change in mindset and culture in the workforce still continues to be a challenge in the digital journey and as noted in the survey, East Africa CEOs need to invest more in this area and ensure the workforce is aligned to the digital disruption process, including ensuring the needs of the workforce in the new ‘normal’ are taken care of.

Brian DeSouza
Partner and Head of Consulting
KPMG East Africa

A few years ago, ‘digital disruption’ was a choice in a business strategy.

Partnering for transformation and resilience

In order to deliver the customer promise, companies across East Africa are identifying, integrating and managing third parties to increase speed to market, reduce costs, mitigate risks and supplement capability gaps. Companies have realized that by finding the right partners and establishing effective communication and data sharing, they will extend their growth into new markets. The success of these partnerships will require a more fluid, flexible model of business for companies, their people and systems.

The notable drivers for collaboration & partnership include

- optimize operational performance
- identify new digital revenue streams and create compelling digital customer experiences that deliver on an organization's purpose

East Africa CEOs are keen on taking up some key actions on partnerships over the next three years as they pursue their organization's growth objectives.

54%

Join industry consortia focused on development of innovative technologies

46%

Collaborate with innovative start-ups (e.g. FinTech, InsurTech, HealthTech firms)

66%

Partner with third-party data providers

Cyber security as a threat to Partnership

While the benefits of partnership and alliances are evident, East Africa CEOs see cyber security as a major threat to the growth of their organization ranking it second out of twelve risks.

It will take purpose-led, sustainable cyber security practices to help digital ecosystems thrive, bounce back from attacks and instil confidence.

79% say protecting their partner ecosystem and supply chain is just as important as building their own organization's cyber defenses.

75% say a strong cyber strategy is critical to engender trust with their key stakeholders.

70% say that they are well prepared for future cyber-attacks.

Nancy Mosa
Partner
Consulting
KPMG East Africa

> East Africa CEOs see cyber security as a major threat to the growth of their organization ranking it second out of twelve risks.

Reflections on the way forward

Growth and resilience

Although businesses continue to operate in uncertain times, East Africa CEOs are confident about their companies' growth prospects. They are aware of the key challenges affecting their businesses and are putting in place strategies to address these challenges. The CEOs are also keen on third party alliances to pursue their growth objectives. Despite talent risk diminishing in the latest survey findings, people remain important in achieving growth. The key growth and resilience focus areas remain:

- Mitigation of supply chain risk. Supply chains have been under increased stress over the past 18 months. While there is hope that with vaccine rollout the flow of goods and raw materials will gradually normalise, organizations need to have strategies to ensure access to and stability of inputs and operational resilience.
- Remote working and disrupted route to markets thrust the digitisation agenda for most organization to the forefront. Advancing digitisation, connectivity of all functional areas and upskilling are critical as organizations pursue their growth objectives.

Leading with purpose

Although in the last few years we have seen increased scrutiny of organizations' conduct and operations by the public, the pandemic has taken this to a new level. As confidence and trust in governments comes under greater focus, the public is looking to organizations to fill the void. As the survey reveals, ESG is and will be a good starting point for organizations looking to inspire public trust.

- 82 percent of CEOs agree that they are increasingly being held responsible for driving these social issues. Consequently, organizations will need to enhance their response to societal issues including gender inequality, inclusion and climate change which were more pronounced by the pandemic.
- The focus on tax continues globally, especially because of the pressure on public finance in view of the tax breaks and stimulus packages adopted by governments. 88 percent of East Africa CEOs agree that there is a strong link between public trust in their business and how their tax approach aligns to their organizational values. With the increased need for transparency, companies are likely to feel the need report their contribution to taxes.
- Even as ESG reporting evolves due to the focus by diverse stakeholders including regulators, East Africa CEOs see integrating ESG in their reporting as one of their priorities to complement their growth objectives. However, a key challenge identified by both global and East Africa CEOs and one that requires immediate addressing, is the struggle to articulate a compelling ESG story.

Reflections on the way forward

Future of work

The future of work is increasingly being defined by flexibility and inclusivity – enabling employees to work both from the office and remotely. Access to digital tools including those that allow for collaboration, to ensure that employees are engaged, motivated and productive remain critical for CEOs.

- A diverse and inclusive workforce is not only about meeting an organization's 'S' and 'G' component of their ESG commitments. This work environment together with the digital imperative is the cornerstone of innovation. East Africa CEOs see this as helping to attract Generation Z and millennials in their organizations.
- Last year at the height of the pandemic, 66 percent of East Africa CEOs were looking to downsize their office space as the need for social distancing required most of their employees to work from home. The remote working environment is now the norm, and providing a compelling vision of the future of work supported by a culture that fosters a better work-life balance are hallmarks of a purpose-led organization that is ready for the future.

David Leahy

Partner and Head of Clients & Markets

KPMG East Africa

> The future of work is increasingly being defined by flexibility and inclusivity – enabling employees to work both from the office and remotely.

In summary

Today's connected CEOs — those who are plugged-in, people-first and purpose-led — embrace tough leadership challenges. They can deliver on their purpose commitments, making ESG investments and changes necessary to address inequity and launch the race to net zero. They look to drive growth and prosperity through digital agility and business model innovation, while aiming to ensure that aggressive technology investments are matched by investment in human capabilities and skills. They pursue purpose to drive profitability and long-term growth while recognizing their responsibilities to people and the planet.

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