KPMG 2024 East Africa CEO Outlook

CEOs betting big on AI amidst economic uncertainty

KPMG East Africa

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Contents

Foreword

For the past decade, KPMG International has diligently conducted the KPMG Global CEO Outlook, surveying over 1,300 CEOs annually. Throughout these years, CEOs have demonstrated remarkable resilience amidst numerous disruptions that have shaped the decade, including the tumultuous periods brought on by the COVID-19 pandemic, inflation, and geopolitical tensions. As Bill Thomas, Global Chairman and CEO of KPMG International, has observed, these leaders have navigated through these challenges with unwavering determination.

East Africa's CEOs confidence in the growth of the global economy has dipped (48 percent), compared to 72 percent last year. This cautious outlook is similarly reflected among their counterparts across Africa, whose confidence stands at 53 percent. About a half of East Africa CEOs are confident about their organizations' growth compared to 70 percent last year. Despite these concerns, they exhibit a strong confidence in the growth of their respective industries (76 percent) and show moderate confidence in their national economies (60 percent), compared to 82 percent last year.

In the context of East Africa, supply chain and operational risks rank as the greatest threats to organizational growth, followed by cybersecurity, political, and disruptive technology risks. CEOs also foresee trade barriers, regulatory demands, and talent issues as key trends that will negatively impact their organizations' prosperity.

However, there is optimism regarding the implementation of generative AI, which is expected to boost innovation and enhance the diversity of skills and capabilities and increase efficiency and productivity through the automation of routine operations. While there are concerns about potential job cuts, CEOs plan to address these by focusing on upskilling and redeploying existing talent.

Environment, Social, and Governance (ESG) continues to evolve, compounded by diverse stakeholder demands, including those from the public. 72 percent of East African CEOs agree that scrutiny of organizations' diversity performance will increase, a significant jump from 56 percent last year. While they believe that achieving workplace diversity necessitates changes in senior leadership (64 percent), 58 percent are neutral about employing quotas and targets to foster diversity.

As shifts in the labor market impact talent dynamics, CEOs are aware that these changes could have significant repercussions on their organizations' growth and competitiveness. East Africa's CEOs see the biggest impact of these shifts being the number of employees retiring, along with a lack of skilled workers to replace them and the widening expectations gap between older employees and the next generation. However, they perceive minimal impact from differences and tensions arising from corporate responses to social and global issues.

> **"There is a growing expectation for organizations to be proactive in local community affairs,**
>
> fostering positive social, political, and economic outcomes. In a business environment that is evolving on multiple fronts, CEOs must juggle various priorities to achieve their organizations' growth ambitions and purpose."

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

Four key themes

Economy

Shifting confidence in growth

East Africa CEOs are confident about the growth of their industries at 76 percent, but moderately about their countries' economies at 60 percent compared to 82 percent last year. They are less confident about the growth prospects of the global economy (48 percent) and that of their companies (56 percent). This is a huge contrast compared with their global counterparts whose confidence in the growth prospects of the global economy stands at 72 percent and their companies at 76 percent.

.Balancing act for CEOs

Trade barriers, regulatory demands, talent, public health crises and cyber insecurity are some of the trends CEOs agree will negatively impact their organizations' prosperity over the next three years.

Economic uncertainty is a top challenge for half of the CEOs – global 53 percent, Africa 52 percent and East Africa 54 percent. Despite this, East Africa CEOs are prioritizing organic growth and alliances in addition to the execution of their ESG initiatives and improving the customer experience to achieve their growth objectives over the next three years. They are also betting on AI by prioritizing investments to reap its benefits..

With numerous convergence issues, 72% of East Africa CEOs feel pressured to ensure long-term growth for their organizations.

Technology and generative AI

Beyond investment

Last year, 72 percent of East Africa's CEOs prioritized investment in AI compared to 48 percent this year. Instead, East Africa CEOs are now concentrating on the practical implementation of AI technologies to capitalize on the potential benefits AI offers, such as increased efficiency, enhanced productivity, driving innovation, promoting skills diversity, and boosting profitability.

Implementation challenges

Across the board, as CEOs focus more on implementing AI, they are alive to challenges presented by AI such as ethical challenges, security and compliance, cost, and a lack of regulation within the space. They however don't see AI implementation fundamentally impacting the number of jobs, but will require upskilling, and existing resources to be deployed.

All hands-on deck

CEOs recognize that implementing AI requires alignment of organizations' employees, leadership, data and relevant infrastructure to support implementation. There is however a shared position that their employees lack the right skills to fully leverage the benefits of AI. While 64 percent of global CEOs agree that their organizations are equipped to upskill their employees to fully leverage the benefits of AI, East Africa and Africa CEOs are moderately confident at 44 percent and 46 percent respectively.

Environment, Social and Governance (ESG)

As in previous years, CEOs worldwide continue to recognize the integral role of ESG within their organizations. For East African CEOs, their ESG strategies are seen as most impactful in enhancing employee engagement, bolstering the employee value proposition, and attracting the next generation of talent.

Net zero

As the race to net zero intensifies, only 22 percent of East African CEOs and 32 percent Africa CEOs are confident in meeting their net zero goals by 2030. They identify the cost of decarbonization, a shortage of necessary skills and expertise, lack of appropriate technology solutions, and the complexity of implementing decarbonization solutions as the primary obstacles to achieving their net zero and broader climate ambitions. In spite of this, 76 percent Africa and East Africa CEOs say their climate-related strategies have not changed in the last 12 months. Nonetheless, they recognize that failing to meet the ESG expectations of their stakeholders can lead to a loss of customers and give competitors a significant advantage among other downside effects.

Polarization and politicization of ESG

As ESG expectations evolve, CEOs recognize the imperative for their organizations to engage more deeply with local communities. Consequently, a majority of Africa CEOs (78 percent) acknowledge the increasing necessity to balance centralized and devolved approaches to address the impact of growing political conflict and climate change on the local communities in which they operate, a sentiment shared by 66 percent of East Africa CEOs.

Talent

East Africa CEOs have continued to prioritize their employees' welfare amidst the disruptions that have characterized the business environment since the pandemic. Despite the economic uncertainty highlighted by 54 percent of East Africa CEOs in this year's survey, they remain committed to investing in technology to achieve their transformation objectives, while simultaneously focusing on developing the skills and capabilities of their workforce.

These investments are aligned to AI implementation which CEOs are prioritizing in their organizations.

Return to work

The findings of the last couple of years have been consistent with the CEOs view on return-to-office. 88 percent of East Africa CEOs envisage return-to-office for corporate employees whose roles were traditionally based in-office, and 67 percent are likely to reward those that make the effort to come to the office with favorable assignments, raises and promotion.

Labor market shifts

Global, Africa and East Africa CEOs all agree that labor market shifts will impact their talent related decisions including recruitment, retention and overall culture. Some of the impacts identified by CEOs are experienced employees retiring coupled with a lack of skilled workers to replace them, knowledge transfer between employees and expectation gaps between older employees and the next generation.

Economic outlook

East Africa CEOs believe that the economic landscape is poised for robust growth, with projections indicating a 5.1 percent expansion in 2024, despite a backdrop of global economic uncertainties, geopolitical tensions in the region and competition for talent within a limited pool.

48 percent of East Africa's CEOs have a positive outlook on the growth prospects of the economy over the next 3 years on account of significant investments expected in infrastructure and energy projects and ongoing efforts to diversify the local economies beyond the traditional sectors.

Now more than ever, CEOs are feeling increased pressure to ensure their long-term business success due to several converging factors. Public health risks have emerged as a primary threat, with 62 percent of CEOs citing these risks as a significant obstacle to growth, alongside other concerns such as failure to adopt climate-change strategies, cyber-crime and regulatory risks. Additionally, rising inflation and increasing interest rates have eroded the purchasing power of consumers, eventually hampering growth.

The rapid pace of digital transformation also raises concerns about cyber security threats and data security, as businesses become more reliant on technology. 66 percent of East Africa's CEOs are wary of increasing cyber threats and sophisticated attacks.

Despite these challenges, majority of the CEOs have confidence in the long-term viability of their business models and ability to generate sustainable growth.

> "CEOs in East Africa remain optimistic about growth prospects over the next year, driven by infrastructure investments and economic diversification.
>
> Majority of the CEOs have faith in their companies' long-term viability, expressing confidence that their business models shall remain sustainable over the next 10 years."

Julius Ngonga
Partner and Head of Strategy and Deals Practice
KPMG East Africa

CEOs remain confident in growth prospects of their companies, despite a drop compared to last year, however identifying risks and opportunities will be crucial in determining the growth of businesses.

East Africa CEOs confidence in the growth prospects of

Their company	The local economies	The global economy
56%	60%	48%
70% in 2023	82% in 2023	72% in 2023

The disruptive risks and structural changes CEOs see

Top risks Posing greatest threat to growth →	**Public health risks**	**Geo-political tensions**	
Structural changes Impacting organisational growth →	**70%** Competition for talent	**92%** Trade regulation	**54%** Generative AI

CEOs in East Africa are strategically adapting their business approaches to navigate a complex landscape filled with both opportunities and challenges. The key focus for CEOs will be the ability to adopt new technologies such as AI and cloud computing to improve productivity and customer engagement, a shift accelerated by the pandemic.

Integrating environmental, social and governance (ESG) into business models is also becoming increasingly important as it enhances reputation and attracting investment.

The key indicator for CEOs in redefining their strategy to achieve their growth objectives within the next 3 years shall be through organic growth and strategic alliances with third parties.

Majority of the CEOs are seeing this as a pathway to capitalize on local market opportunities, navigating uncertainties while maximizing long-term viability and profitability.

CEOs in East Africa are likely to take a more cautious approach when pursuing M&A, due to prevailing factors such as economic volatility and currency risk. Only 26 percent of CEOs expect growth through M&A because of the existing economic conditions.

The need for stable market conditions and availability of suitable targets that align with the growth aspirations of companies continue to be prerequisites for M&A activity. In the absence of targets that meet these criteria, CEOs will opt for organic growth strategies.

"

East Africa CEOs identified geopolitics as one of the top threats to growth.

This is not surprising given what is happening in the Middle East and Ukraine.

"

Makenzi Muthusi
Partner M&A, Restructuring and Insolvency
KPMG East Africa

East Africa CEOs are prioritizing organic growth strategies due to uncertain economic conditions.

East Africa CEOs are prepared to grow through strategic alliances and organic growth

26% will likely undertake strategic alliances with third parties

32% will likely focus on organic growth

How CEOs currently feel in their role

72% Feel more under pressure to ensure long-term prosperity of the business

28% Less pressure to ensure long-term prosperity of the business

Sustainable finance

ESG as means of value creation

ESG objectives continue being a top priority for CEOs in East Africa. Executing ESG initiatives is ranked in the top three operational priorities for CEOs over the next three years to achieve their growth objectives. 60% of the CEOs believe their ESG strategies will have the greatest impact on their current and future employee talent pool.

While ESG strategy is a priority for CEOs, only 7 percent of African CEOs believe their ESG strategy will impact their capital allocation, partnerships, alliances and mergers and acquisition (M&A) strategy. This trend may imply that African CEOs require more information on ESG and its impact on their strategic investments. It could also suggest that CEOs are faced with resource challenges when it comes to developing and implementing ESG strategies within their organizations – this is validated by the CEO survey responses that revealed only 26 percent of East African CEOs fully embed ESG into their business as a means of value creation compared to 65 percent of global CEOs.

Inclusion, diversity, and equity

Switching gears to gender diversity and inclusion, 78 percent of East African CEOs agree that achieving gender equity in their C-suite will help meet their business growth ambitions. Additionally, 64 percent of the CEOs agree that implementing a change at senior level across leadership can achieve diversity in the workplace. Beyond the workplace, diversity and inclusion has a broader and significant implication on capital allocation, partnerships and alliances as well as M&A.

40% of the CEOs in the region had concerns around using quotas and targets to drive diversity, while 58 percent of CEOs were neutral about this approach, perhaps attributable to the lack of standardized frameworks and KPIs to track ESG impact, particularly in relation to gender and diversity. Using globally accredited frameworks, such as the 2X Criteria1, to assess and monitor gender-lens investments, can address this challenge. CEOs can use these frameworks to identify measurable targets within their ESG strategies that can drive increased ESG impact.

> **"All in all, EA CEOs should invest in their organization's in-house and external expertise and resources to develop and implement their ESG strategies.**
>
> As a result, more companies in the region will play a role in driving sustainable financing while helping them achieve their ESG goals and objectives."

Kiran Sharma
Associate Director,
Sustainable Finance
Deal Advisory

Despite ESG being a top priority for CEOs in East Africa, majority of them have not embedded ESG strategies into their organizations. Without ESG strategies, it is difficult for these organizations to engage in sustainable financing, which is one of the critical ways to integrate ESG within capital allocation and M&A strategies. The failure to integrate ESG limits the growth of innovative financing mechanisms including climate, gender financing and impact investing.

Technology and generative AI

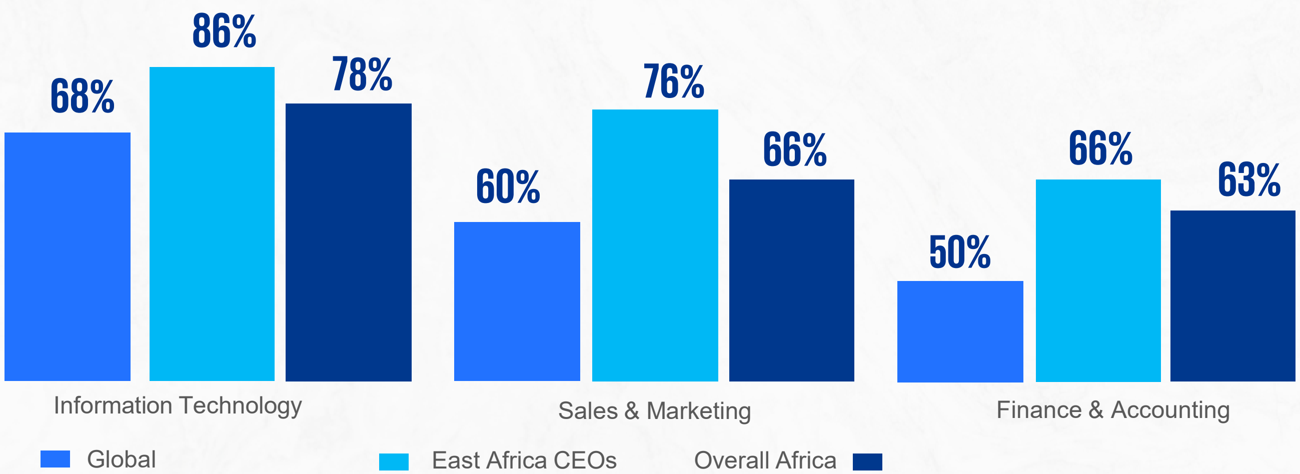
Despite ongoing economic uncertainty, Generative AI ranks as a top investment priority by CEOs as they prioritize Information technology, finance & accounting and sales & marketing as the top functional areas of its investment

Technology is advancing faster than ever before, with Generative Artificial Intelligence (Gen AI) leading the charge. Notably, 42 percent of CEOs in East Africa, consistent with their Africa peers (compared to 52 percent of Global CEOs) view Gen AI as a main investment focus. This alignment on Gen AI marks a strategic pivot, where these leaders are not merely recognizing its potential but are embedding it centrally in their plans for growth and innovative transformation.

This diversified focus suggests that leaders are keen on fortifying both the backbone and customer centric technological infrastructure of their businesses to build resilience, foster innovation, and enhance stakeholder value.

Dedication of East Africa's CEOs to investing in Gen AI is rooted in a firm belief that this technology acts as more than just a tool for streamlining operations and boosting profitability. At its core Gen AI is viewed by CEOs as pivotal to enhancing innovation and developing a wide range of skills among their workforce.

CEOs across Africa highlight Information Technology, Sales and Marketing and Finance and Accounting as the three top investment priorities.



> **Investing in Gen AI holds the potential to transform business in East Africa, sparking new waves of innovation and securing competitive edge.**
>
> However, as we embark on this technological frontier, it's crucial to confront ethical dilemmas, regulatory hurdles, and cybersecurity threats directly. By dedicating ourselves to these challenges, we not only protect our investments but also pioneer responsible AI practices and setting a benchmark for the entire industry.

Gerald Kasimu
Head of Advisory
KPMG Africa

Navigating the skills canyon in the Age of Gen AI

8 out of 10 CEOs in East Africa, consistent with their Africa and Global counterparts, agree that Gen AI's strategic investments in the next three years will not drastically cut job numbers but will necessitate upskilling and reallocating current resources. This reflects optimism that Gen AI is poised to enhance human skills, not replace them. Focus will shift significantly toward initiatives aimed at upskilling and reskilling, rather than eliminating jobs.

Yet, a palpable uncertainty looms among leadership regarding their teams' readiness; with only 20 percent of the CEOs in East Africa and across Africa, compared to 38 percent Globally, agreeing that they are confident in their employees having the right skills to fully leverage the benefits of Gen AI. This gap between technological capabilities and talent's expertise presents both a challenge and a strident call to action.

78% of East Africa CEOs anticipate AI will not fundamentally reduce the number of jobs within their organizations over the next three years

> "The rapid rise of AI, especially Gen AI, has created excitement and concern in equal measure. The many risks associated with AI highlight the need for a solid governance ecosystem. Companies are having to develop internal policies to govern ethical AI practices."
>
> **Tom Gitogo**
>
> **Group CEO, Britam Holdings Plc**

As adoption in Gen AI increases, it becomes clear that the skills and competencies required to thrive in this new environment extend beyond the conventional. The survey reveals that 3 in 10 CEOs in East Africa and Africa at large agree that integration of Gen AI has made them rethink how they train and develop skills among their employees.

32% of CEOs in East Africa agree that integration of Gen AI has made them rethink how they train and develop skills among their employees

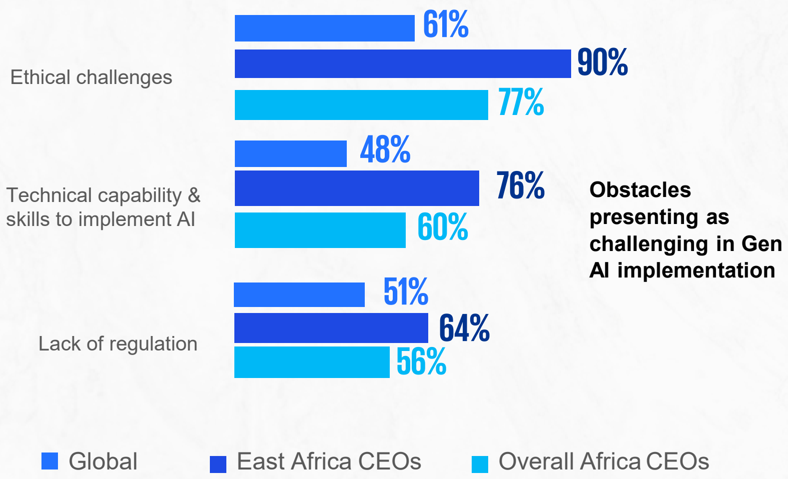
This calls for training methodologies to evolve from static, one-time learning sessions to dynamic, ongoing growth journeys that empower team members to harness the full spectrum of Gen AI's potential.

With commitment to upskill employees on the rise, there is growing consensus among the East Africa CEOs that experimentation is pivotal to unlocking the full potential of Gen AI and offers profound insight into the mindset required for navigating the future of technology-driven innovation. In such an environment, employees are empowered to think outside the box and challenge the status quo without the fear of repercussions from unsuccessful attempts. This cultural shift is essential for cultivating the kind of disruptive thinking that leads to groundbreaking use of Gen AI.

The implementation of Generative AI continues to encounter significant obstacles

The journey towards implementing Generative AI remains one fraught with hurdles. Vast majority of the East Africa CEOs, 90 percent (compared to 77 percent across Africa) still cited ethical issues as the highest challenge to implementing Gen AI in their organization.

Deployment of Gen AI raises significant ethical questions regarding bias, privacy, and the broader implications of AI-generated content and decisions. This dictates the need to develop and adopt AI in a manner that respects privacy, ensures fairness, and maintains accountability.



Obstacles presenting as challenging in Gen AI implementation

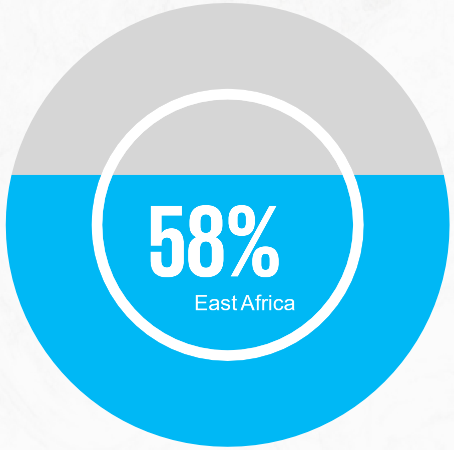
Interestingly, job redundancy isn't a primary concern for most CEOs when it comes to implementing generative AI, which is noteworthy.

Elevating cyber attack readiness

Growing experience of the challenges of cyber security is giving CEOs a clearer picture of how prepared — or under prepared — they are. More CEOs are recognizing the need to prepare for the possibility of a cyber attack.

30 percent of East Africa CEOs report that they are well prepared for a cyber attack this year while 12 percent of CEOs lack confidence in their organization's cyber security preparedness to keep up with rapid AI advancements. Only 40 percent of East Africa CEOs are confident of their organization's ability to access suitable cybersecurity talent and solutions to defend against AI threats.

This clearly points to the need to continue to invest in cybersecurity with 58% of the East Africa CEOs agreeing to their organization's increasing investment in cybersecurity to protect their operations and intellectual property from AI threats.



of CEOs in East Africa agree to their organization's increasing investment in cybersecurity for protection

Talent management in the context of Gen AI

Organizations are embracing generative AI and other progressive technologies at a fast pace to reap a myriad of business benefits. Generative AI is steadily making its way into the business setting, with its deployment where transactions and tasks can be automated, shaping new ways of working.

The 2024 CEO survey revealed that CEOs globally and in Africa rank understanding and implementing Generative AI across the business, upskilling of workforce and streamlining of processes amongst their top three priorities, when considering success factors for their organization's growth objectives. They expect the benefits of implementing the use of generative AI to be:

(i) increased efficiency, productivity and profitability

(ii) increased innovation

(iii) upskilling the workforce for future readiness.

It is therefore unsurprising that more than 50 percent of CEOs surveyed globally and within Africa regard generative AI as a top investment priority for their organizations, even amid prevailing economic uncertainties.

28 percent of East Africa CEOs compared to 31 percent Africa CEOs revealed that they were experiencing challenges regarding employee adoption of generative AI. This may be related to the commonly raised concern on the effect of generative AI on redundancies in organizations, or the lack of requisite skills for the adoption.

For generative AI to be effectively deployed across various business functions, a strategic change management approach must be implemented. This involves clearly communicating the vision for change, emphasizing the necessity of the transformation, elucidating the benefits for all stakeholders, and defining the roles and impacts for all parties involved. Additionally, it is essential to ensure that everyone is adequately prepared for the transition through a shared understanding, willingness to adapt, and comprehensive upskilling initiatives.

> "**The start of an organization transformation is its people,**
> therefore, more emphasis needs to be placed on aligning talent management initiatives to the adoption of generative AI, to ensure that the organization is positioned to optimize on the tools."

Titilope Olajide
Partner, Advisory
KPMG East Africa

81%

Africa CEOs believe that Generative AI will not reduce the number of jobs but will require upskilling and redeployment of existing resources

The advancement of AI surpasses previous technologies and is poised to revolutionize talent management. Through the knowledge of generative AI, mitigating dangers connected to talent, and strategic investment in the workforce, organizations can build a sustainable talent management plan. Organizations in East Africa and other parts of the world intending to deploy AI to source candidates, optimize functions, and mitigate talent risks need to dedicate resources towards upskilling, reskilling, and culture change.

Areas for leaders to consider, in the talent management strategies when considering adoption of AI are:

1. **Enhanced employee experience;** through the use of AI, employers can provide more personalized and customized solutions to employees from attracting talent, selection, onboarding through the employee life cycle till separation, driving for heightened engagement and stronger employer brands.

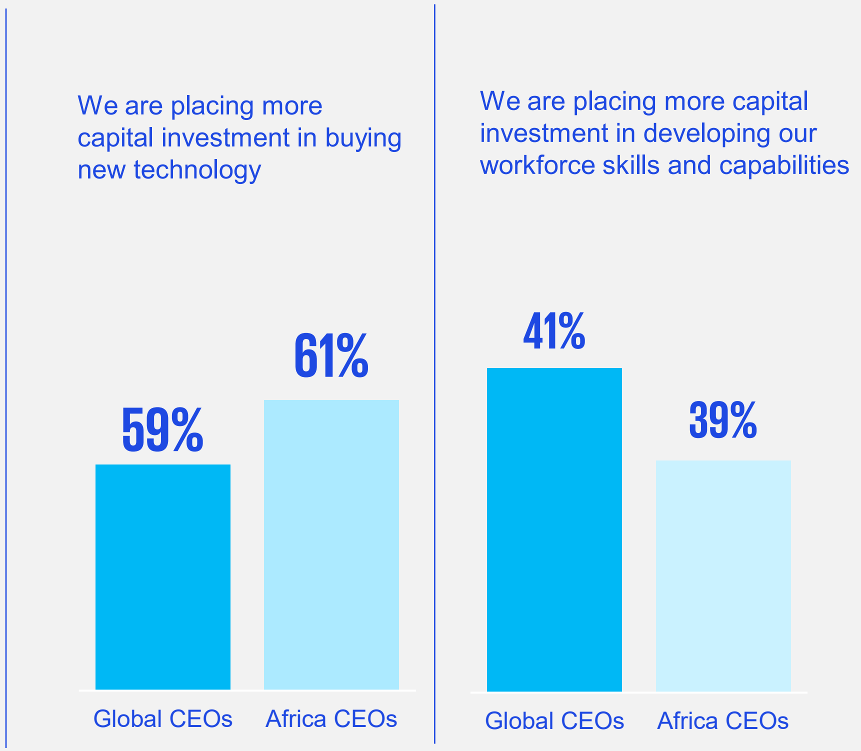
2. **Job design;** Deployment of AI provides the opportunity for jobs to be less repetitive, creating more efficient and fulfilling roles for employees. This in turn means that some roles may be redundant, whilst others are created.

3. **Talent development;** initiatives in this area will need to be focussed on future needs, based on the transformation presented by AI to transition to full adoption across an organization, and continuous improvement.

4. **Ethical considerations;** the discussion on AI cannot be had without emphasis on the need for inculcating training and standards on ethical utilization of AI to ensure an organization maintains its integrity and upholds societal norms and expectations..

The above should be considered alongside reviewing the entire HR strategy and identifying the critical points where AI can be deployed and/or will affect.

Key investment priorities that CEO's foresee for growth and transformation:



Perspectives on ESG

Embracing long-term value creation and stakeholder trust.

CEOs worldwide are recognizing the critical role that ESG plays in driving long-term value creation and responding to stakeholder expectations. As businesses face mounting societal challenges, such as climate change and diversity, the need to integrate ESG into core operations has become essential.

CEOs across the board expect their ESG strategies and investments to bear fruits in the long term. They include building customer relationships, positive brand association and attracting the next generation of talent and strengthening employee engagement.

Reporting readiness

44 percent of East Africa CEOs acknowledge that stakeholders' expectations regarding ESG are changing faster than they can adapt their strategies compared to 55 percent of Global CEOs and 36 percent of Africa CEOs. Only 26 percent of East Africa CEOs have the capability and capacity required to meet new reporting standards.

Challenges in meeting sustainability and climate ambitions

Achieving net-zero and other climate goals remains a challenge for CEOs due to the complexity of decarbonization, lack of skills, and high costs. The risks of not meeting ESG expectations are clear. East African CEOs see competitors gaining an advantage as the biggest threat.

> "The adaption of IFRS S1 and S2 in East Africa is progressing steadily, led by Kenya. Challenges include regulatory harmonization, capacity building, awareness, high implementation costs, and adapting impact measurement tools. Businesses are realigning processes and engaging stakeholders to prepare for the changes. Tools for measuring impact need to be adapted to our local context."
>
> **Moses Nyabanda**
> Managing Director,
> Equity Bank Limited

CEOs across the board expect their ESG strategies and investments to bear fruits in the long term.

Top areas CEOs see ESG strategy having the greatest impact over the next three years

	Customer relationships and positive brand association	Attracting the next generation of talent	Strengthening employee engagement and employee value proposition	Shaping our capital allocation, partnerships, alliances and M&A strategy	Driving financial performance
Global CEOs	34%	17%	9%	24%	10%
Africa CEOs	14%	31%	27%	7%	14%
East Africa CEOs	10%	26%	34%	6%	18%

Perspectives on ESG

Unlocking ESG reporting growth through technology

CEOs globally acknowledge the challenges of decarbonization due to its complexity, skill gaps, and high costs. Despite these hurdles, they remain committed to climate strategies, recognizing the competitive edge gained by effective greenhouse gas (GHG) accounting. Accurate measurement and reporting of emissions are crucial, as innovative technologies play a key role in managing emissions and meeting global climate targets.

Driving ESG with Inclusion, Diversity, and Equity

East Africa CEOs are aware that scrutiny of their diversity efforts will intensify over the next three years, and achieving true workplace diversity will require changes at the senior leadership level.

Yet, while 57 percent of global CEOs agree that progress on diversity and inclusion has moved too slowly in the business world, only 28 percent of East African CEOs share this view.

When asked about their concerns regarding the use of quotas and targets to drive diversity, 40 percent of East African CEOs indicated concerns compared to 31 percent of global CEOs and 29 percent of African CEOs. Across the board, majority of the CEOs neither agree nor disagree about having concerns.

CEOs demonstrate varying perspectives on the pace and methods of achieving diversity in the workplace. This underscores the importance of considering local contexts when shaping diversity and inclusion strategies.

88%

of East Africa CEOs are stepping up to drive social mobility, recognizing their role in creating a more equitable society, with a strong focus on gender equity in the C-suite as key to their growth ambitions

> **"Technology will be the game-changer in helping businesses track and reduce emissions, ensuring they stay ahead in a world where climate risk reporting is fast becoming a global standard."**

Edgar Isingoma
Partner and East Africa Head of ESG

Shaping social impact in ESG

The evolving ‘S’ factor in ESG for businesses

The COVID-19 pandemic accelerated the rise of ESG concerns, reshaping how businesses worldwide approach ESG with a heightened focus on the “S” factor – social responsibility. The "S," representing the social aspect of ESG, has gained unprecedented prominence in recent years.

In the wake of the pandemic, KPMG released the [KPMG 2020 CEO Outlook: COVID-19 Special Edition.](#) It revealed that 79 percent of CEOs had to re-evaluate their purpose as a result of COVID-19 to better address the needs of their stakeholders. Top of these stakeholders were their employees and the society. The pandemic's profound impact on public health, livelihoods, and global economies underscored the urgency of addressing societal needs, while spotlighting deep-seated gender inequalities, particularly in in respect of wages and economic opportunities.

Subsequent to the 2020 edition, KPMG’s annual CEO Outlook surveys have consistently highlighted the growing recognition that organizations are expected to play a more active role in addressing societal challenges. Key issues such as inclusion, diversity, equity, climate change, and social justice have become central to strategic decision-making.

The global inflation surge and the rising cost of living in the last 3 years have further pressured CEOs to respond. The 2024 survey, shows 77% of global CEOs view increasing inflation as a threat to growth, compared to 48% of African CEOs. While 59% of global CEOs believe organizations should help alleviate the cost-of-living crisis to support future economic stability, only 40% of African CEOs share this view.

A critical aspect of the evolving "S" factor is the increased focus on initiatives that positively impact employees, and communities, to create a mutually beneficial relationship between businesses and the communities they operate in. CEOs widely agree on the importance of investing in skills development and lifelong learning within communities, which is essential for maintaining a pipeline of future talent. Additionally, fostering positive internal cultures by engaging with communities is seen as crucial for long-term productivity and sustainability.

The public expect organizations to play proactive role in developing communities where they operate in

The 2024 CEO survey shows evolving ‘S’ expectations are defining organizations’ engagements with communities

	Invest in skills development and lifelong learning to safeguard future talent	Help address societal challenges such as inclusion, diversity, equity, climate change or social justice	Ease cost-of-living crisis for customers to safeguard future economic growth	Foster positive internal cultures in communities to safeguard future productivity
Global CEOs	80%	60%	59%	80%
Africa CEOs	63%	40%	40%	74%

The evolving ‘S’ factor in ESG for Businesses

Polarization of ESG

In recent years, CEOs have observed an increasing polarization and politicization surrounding ESG discussions. In 2023, one-third of global CEOs reported modifying the language used in the discussion of ESG, both internally and externally. The 2024 survey highlights that 78% of African CEOs and 80% of global CEOs recognize the growing need for a balanced approach in addressing the impact of issues such as political conflict and climate change in the local communities in which they operate.

As polarization around ESG issues intensifies, businesses are increasingly recognizing the need for a more balanced and strategic approach to addressing societal challenges. With this evolving landscape, CEOs are now focusing on the importance of integrating the 'S' factor into core business strategies, ensuring a more cohesive and impactful response to these pressing concerns.

The strategic path forward

These evolving expectations places a renewed emphasis on the 'S' in ESG, urging organizations to integrate social considerations into their core strategies. Organizations should now be more proactive in addressing critical issues such as the ethical implementation of Artificial Intelligence (AI), human rights, and climate change, alongside their efforts to decarbonize their supply chains. Additionally, businesses should consider taking a stance on pressing social issues such as gender-based violence, given its significant economic impacts on communities; an area that organizations have traditionally been cautious to engage with.

78% of Africa CEOs acknowledge the growing necessity for CEOs to balance centralized versus devolved approaches in addressing the impact of issues such as political conflict and climate change on local communities where they operate in

"As businesses continue to adapt to these evolving expectations, it is important that they remain committed to authentic and impactful social responsibility initiatives.

The evolving 'S' factor is not just a trend but a fundamental aspect of modern business strategy that will shape the future of corporate governance and societal progress."

Anthony Sarpong
KPMG Africa Head of Corporate Affairs and Country Managing Partner of KPMG in Ghana

Exploring opportunities for growth

ESG

- With the growing commitment to a low-carbon pathway and achieving net-zero, greenhouse gas (GHG) accounting is emerging as a critical area for growth and innovation. As organisations seek to reduce emissions, the need for robust and accurate GHG measurement and reporting is becoming increasingly important. Advances in technology will play a pivotal role in enabling companies to track, report, and manage their emissions more effectively.

- Regulatory frameworks are also driving this shift, with many jurisdictions now requiring climate-related risk reporting. For example, the International Sustainability Standards Board (ISSB) released its first two standards, IFRS S1 and S2 in June 2023. Their aim is to develop a global baseline for sustainability reporting. IFRS S2 mandates that companies disclose their climate risks and opportunities, integrating them into their financial reporting. Similarly, the European Union's Corporate Sustainability Reporting Directive (CSRD) requires businesses to report on their environmental impact, including their greenhouse gas emissions. These regulations underscore the growing importance of GHG accounting in corporate decarbonization strategy, prompting companies to adopt new technologies and practices to meet these standards.

- As the pressure to align with global climate goals intensifies, the development of GHG accounting practices will be crucial for businesses aiming to reduce their carbon footprint while remaining compliant with evolving regulations.

Exploring opportunities for growth

Technology and general AI

- As CEOs, fostering the **responsible use of AI** within your organization is crucial. To uphold trust and prevent adverse outcomes, it is vital to prioritize risks on par with or even above potential opportunities. Ensuring accountability from diverse business, risk, and governance leaders who can thoroughly assess potential risks is essential.
- **Embrace being a trailblazer –** Jumping on board early enables you to swiftly identify resource and skill shortages, providing an edge in enhancing your workforce, technology, and processes. Early trials also unveil initial risk factors, helping to spot obstacles in scaling the tech.
- **Tackle essential talent inquiries** - the impact of generative AI on work processes, required skills, and job roles will be profound. Major transformations often brew apprehension and doubt. To ease these feelings, leaders must skilfully navigate communication regarding evolving roles, revamped procedures, and emerging behaviours.
- **Develop generative AI literacy** - From C-suite executives to VPs, managers, and employees across the board, the successful integration of generative AI solutions necessitates an immediate investment in developing technological literacy. It is imperative to debunk prevailing myths to prevent both leaders and employees from adopting an isolationist mindset.
- **Embrace and evolve -** Thriving in tech-driven transformation means being prepared for constant adjustment. CEOs must swiftly evaluate, modify, or even overhaul strategies to harness the immense possibilities ahead.

Exploring opportunities for growth

Talent management in the context of Generative AI

- CEOs today are faced with a myriad of talent management considerations, with 65 percent of CEO's surveyed globally and 56 percent of CEOs in Africa stating that Talent has the potential to negatively impact their organization's prosperity over the next three years. This brings to light the need to be keen and intentional on developing winning talent management strategies.
- CEOs across regions concur that the talent factors with the largest impact on their organizations rank as follows: (i) retiring employees leaving vs skilled workers to replace them; (ii) Knowledge transfer between employees; (iii) expectation gap between older and aging employees compared to the next generation.
- Global CEOs declare that focussing on the EVP so as to attract and retain the right talent is their 2nd highest operational priority whereas in Africa, CEO's place this 7th on their list. On the other hand CEOs in Africa hold the opinion that their ESG strategy will have the greatest impact in their organizations on the ability to attract the next generation of talent and strengthen employee engagement and the EVP. Whereas CEO's globally rank these benefits as 3rd and 5th respectively.
- This presents a unique opportunity for CEO's in Africa wherein they can achieve ESG goals which offer a host of benefits in business efficiencies and responsible operations, enhancing the customer and employee experience and perception, whilst addressing the undeniable war for talent. The incorporation of ESG principles in the employee value proposition can form a strong offer not only in enhancing the engagement of the existing workforce, but further in attracting top talent.
- CEO's globally and in Africa concur at a rate of 80 percent and 75 percent of respondents, respectively that achieving gender equity in their C-Suite will help to assure they can meet their growth ambitions. This is a trend we have seen over the last 2 years. They go further to acknowledge that diversity in the workplace requires implementing a change across leadership at the senior level at positive responses over 70 percent across both response groups. 87 percent of CEOs survey respondents were male.
- Also, a recurring trend is the CEO's perspective on return to office. CEOs surveyed, both globally and in Africa remain consistent with their position over the last two years on full return to office of traditionally based office roles over the next three years.
- 87 percent CEOs globally and 67 percent CEOs in East Africa go as far as to state their willingness to reward employee efforts to come into the office. We see a shift here in CEOs in East Africa from 2023, where the willingness to reward was amongst 80 percent of the respondents. CEO's globally have maintained the same position as last year.
- With all these factors in mind, leadership need to inform talent management strategies by undertaking to fully grasp the collective needs of the dynamic workforce in place today. A well-crafted talent management strategy enables an organization to develop a skilled and agile workforce that can respond to market changes and emerging opportunities and adapt to workforce trends with ease and speed.

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Methodology and acknowledgement

About KPMG's CEO Outlook

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

50 CEOs drawn from Kenya, Uganda, Tanzania, Uganda, Rwanda and Ethiopia participated in the survey.

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