



KPMG 2020 CEO Outlook COVID-19 Special Edition: Singapore Edition – CEOs in Singapore rank supply chain and return to territorialism as top threats to businesses

This year, the KPMG 2020 CEO Outlook pulse survey offers a unique lens on the evolving attitudes amongst business leaders given the enduring effects of the COVID-19 pandemic.

The study, as in previous years, provides an in-depth three-year outlook of global executives on enterprise, social issues and economic growth. It also includes new questions to capture CEOs' perspectives on the continually evolving dynamics stemming from the COVID-19 pandemic.

The responses indicate that whilst businesses and governments continue to assess the long-term impact of COVID-19 and prepare for a potential second wave of lockdowns, some fundamental attitudes and systemic structures have shifted.

About the study

KPMG initially surveyed 1,300 CEOs in January and February, before many key markets were beginning to feel the full impact of the pandemic crisis. In July and August (6 July – 5 August 2020), KPMG conducted a follow-up survey with 315 chief executives across the globe to understand how CEO thinking has evolved during the crisis.

In all instances, all respondents have annual revenue over US\$500M and a third of the companies surveyed have more than US\$10B in annual revenue.

This latest CEO Outlook study highlights the following trends and developments:

- **Risk:** In Singapore, supply chain risk and the return to territorialism rank as the top two threats to businesses, underscoring the country's external dependencies. Talent risk, the chart-topper for CEOs globally, takes third place.
- **Company earnings' outlook in Singapore:** As a result of the economic and geopolitical uncertainties abound and the inherent interdependencies in Asia, CEOs in Singapore are more conservative than CEOs globally – less than a quarter of Singapore business leaders (24 per cent) expect to see their company's earnings grow at more than 2.5 per cent a year over the next three years [compared to global stats].
- **CEOs in Singapore are less confident about the global economy:** Nearly half of CEOs in Singapore (48 per cent) are less confident about prospects for global growth in the coming three years compared to less than one third (32 per cent) of CEOs globally.
- **Businesses are more purpose-focused than before:** COVID-19 has accelerated the call for societal change, and has been the impetus for CEOs in Singapore to re-evaluate their organisations' purpose. Four in five CEOs in Singapore say they feel a stronger emotional connection to their purpose since the crisis began.
- **Climate change efforts accelerated by COVID-19:** Most CEOs in Singapore want to accelerate their climate change gains as a result of the pandemic. Three in five (60 per cent) recognise that managing this risk will play a role in determining if they keep their jobs over the next five years.
- **CEOs focused on digital transformation:** Business leaders in Singapore are betting on major dimensions of digital transformation and a vast majority (80 per cent) have seen their digitisation of their operations accelerate during the lockdown period. Two-thirds (67 per cent) of CEOs in Singapore are likely to put more capital investment into technology.

- **New working reality:** Businesses in Singapore are looking to change their recruitment strategies as remote working has widened their potential talent pool and companies will be downsizing their office space in the short term.

Global Economic Outlook

The 2020 CEO Outlook finds that the COVID-19 pandemic has shaken CEOs' confidence. Similarly, CEOs in Singapore are now much less confident in the growth prospects for their companies, industry sectors, and the global economy (compared to global) than they were at the beginning of the year. However, CEOs in Singapore are more confident (52 per cent vs global 45 per cent) in the resilience of their own country's growth over the coming three years.

CEO confidence in the global, country and company growth over the next three-years, compared to the beginning of the year

Sentiment		Less confident	Remained the same	More confident
Growth prospects for the global economy	Global	32%	37%	32%
	Singapore	48%	24%	28%
Growth prospects for your country	Global	29%	26%	45%
	Singapore	24%	24%	52%
Growth prospects for your company	Global	17%	16%	67%
	Singapore	28%	16%	56%

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition – Singapore Edition

Ong Pang Thye, Managing Partner, KPMG in Singapore commented:

“The 2020 KPMG CEO Outlook report shows that compared to their global counterparts, CEOs in Singapore appear more conservative about prospects for global growth in the next three years. Indeed, the COVID-19 pandemic has had far-reaching impact on the world's economy, with many countries sinking into recession. Singapore being very dependent on trade, tourism and oil industry, sectors with significant contribution to its economy, the impact is more far reaching and deeper. With travel being put on hold, and large-scale events being disrupted over a longer duration than previous crises, the country's recovery can be expected to remain sluggish longer. Understandably, this has resulted in the business leaders taking on a more subdued outlook on the country's growth prospects.”

CEOs in Singapore are more cautious in their views on their own company's earnings outlook over the next three years, with a third (32 per cent) expecting growth to flatline or shrink. Only 24 per cent of business leaders in Singapore are expecting a higher than 2.5 per cent per annum growth over the next three years.

CEOs views on their own company growth prospects (Three-year period)

	Earnings: 0% or negative	Higher than 2.5%
Global	23%	35%
Singapore	32%	24%

Source: KPMG 2020 CEO Outlook COVID-19 Special Edition – Singapore Edition

Ling Su Min, Partner, Head of Clients, Markets & Innovation, KPMG in Singapore said:

“Singapore is an open economy that is highly dependent on foreign investment, free trade and open international borders. The conservative outlook we now observe amongst CEOs in Singapore demonstrates their recognition of these interdependencies that are inherent in our economy and the size of our domestic consumption demand. The COVID-19 pandemic has brought about a unique opportunity for greater contemplation. Amidst business’ resolve to stay resilient and relevant through various methods of accelerated change and transformation, we seek business leaders with the audacity to pause, hope and reflect on the specific fundamentals of their business; outsourcing and partnering where possible and standing apart where required, in focusing on what the business excels in and emerging stronger from the COVID-19 crisis.”

Supply chain is the new risk paradigm as a result of COVID-19

Business leaders in Singapore recognise that new challenges have arisen during Singapore’s Circuit Breaker period. Weaknesses in supply chains were exposed when restrictions in the movement of goods and people were imposed. This has resulted in supply chain risk being seen by CEOs in Singapore as the greatest threat to their companies’ growth over the next three years. It is notable that supply chain risk did not feature in the top five threats to companies’ growth in the 2019 KPMG CEO Outlook.

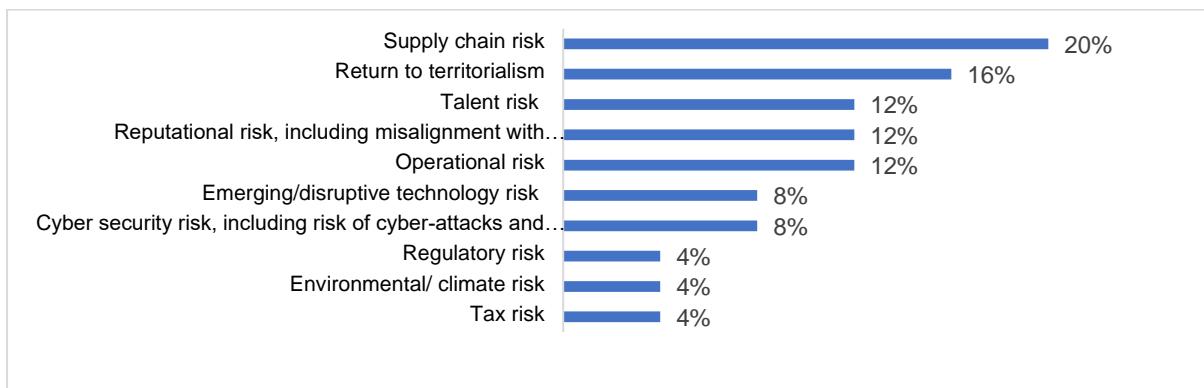
42 per cent of CEOs in Singapore who believe that they have to rethink their global supply chain approach due to the disruption caused by the pandemic, shared that they have commenced doing so in order for their businesses to become more robust in the event of a natural world disaster, while 33 per cent want to become more agile in response to changing customer needs.

The return to territorialism ranks second in the list of threats to companies’ growth, given the risk that the pandemic could potentially accentuate nationalistic tendencies. Surprisingly, CEOs in Singapore ranked talent risk as third (jointly with reputational and operational risks), compared to the global study which lists it as the greatest threat.

Satya Ramamurthy, Partner, Head of Infrastructure, Government & Healthcare, KPMG in Singapore, shared:

“Topping the Global Talent Competitiveness Index 2020 in Asia Pacific, Singapore is viewed as an attractive place for international talent, so it is not surprising that CEOs in Singapore do not view talent risk as one of the top risks. However, following the general elections, this risk may become more real as public sentiment around foreign talent becomes more adverse. Hence, companies may find themselves walking a tight rope, finding a balance between getting the best international senior talent while nurturing a strong ‘Singaporean core’ for future leadership roles.”

Biggest risk to organisation over a three-year period



Source: KPMG 2020 CEO Outlook COVID-19 Special Edition – Singapore Edition



Satya Ramamurthy, Partner, Head of Infrastructure, Government & Healthcare, KPMG in Singapore, added:

“Rather than saying that COVID-19 has transformed the global economy, what the pandemic did was to accelerate many of its political undercurrents. Given Singapore’s role as a hub for global trade and commerce in a rapidly nationalising world, it is no surprise that supply chain risk and return to territorialism rank as key concerns amongst business leaders in Singapore. However, as Singapore recalibrates its economy by building new industries and reskilling workers to remain agile, it will continue to retain its relevance in the global economy despite the growing complexity.”

Businesses have a renewed sense of purpose and focus on ESG

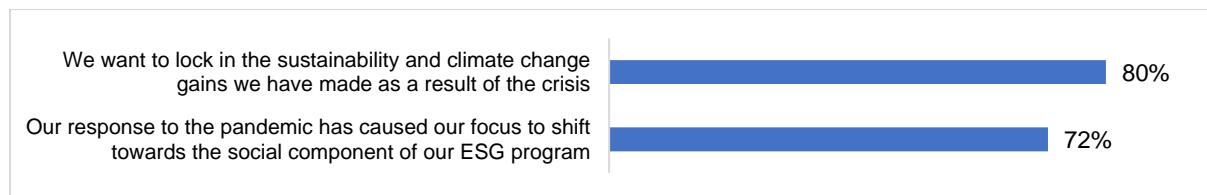
The COVID-19 pandemic has accelerated the call for societal change and added further scrutiny from stakeholders on businesses and their leaders. These factors have caused CEOs in Singapore to question whether their current organisations’ purpose really meet the needs of stakeholders, with 72 per cent saying they have had to re-evaluate their organisations’ purpose as a result of the COVID-19 pandemic. At the same time, four in five CEOs (80 per cent) say that they feel a stronger emotional connection to their organisational purpose since the crisis began, whilst 84 per cent say that their organisational purposes have provided clear frameworks for their businesses to make quick and effective COVID-19-related decisions.

This renewed emphasis on an organisation’s purpose has partly accelerated businesses’ efforts to address Environmental, Social and Governance (ESG) efforts. As a result of immediate pandemic pressures, they are in fact intensifying efforts as 72 per cent of CEOs in Singapore reveal that they have focused on the ‘Social’ dimension of ESG since the pandemic.

Lee Sze Yeng, Partner, Head of Audit, KPMG in Singapore said:

“While COVID-19 forced the world into a slowdown and adversely impacted economies, it also brought about a period of review and reflection for businesses. In the face of the pandemic and its widespread impact on the different communities, leaders have put aside the relentless pursuit of growth, to spend time relooking at the purpose of their businesses. An intangible attribute that arises from the alignment of purpose is trust. Trust strengthens brand loyalty, and in extenuating circumstances such as a pandemic, the trust that has been built between the businesses and customers can be the key differentiator on who can emerge from the crisis faster.”

CEOs who agree with the following statements



Source: KPMG 2020 CEO Outlook COVID-19 Special Edition – Singapore Edition

Sustainability has also emerged as a new necessity, with four in five CEOs in Singapore (80 per cent) indicating that they want to lock in sustainability and climate change gains their companies have made as a result of the global pandemic.

Cherine Fok, Director, Impact and Sustainability Advisory, KPMG in Singapore commented:

“In Singapore, the public sector has emphasised the increased focus on sustainability, including a series of initiatives around tackling climate change and a potential sustainable procurement framework. The Government’s plan to transition into a green economy will position the nation as a key player in green recovery, allowing it to build upon strong foundations and its 5G digital strategy to continue attracting capital and talent for competitive advantage. The supportive response amongst Singapore CEOs indicate that they too share the same consensus. Business leaders will do well to review strategies to capture opportunities arising from the green economy transition by optimising corporate ESG performance and investing in R&D for green products and services.”



Mitigating climate risks has also evolved into a personal responsibility for business leaders in Singapore. Three in five CEOs (60 per cent) feel that their ability to manage climate-related risks will impact their role in the organisation, ultimately determining whether they keep their jobs over the next five years.

Cherine Fok, Director, Impact and Sustainability Advisory, KPMG in Singapore added:

"It is invigorating to see that CEOs in Singapore recognise climate risks as a leadership priority. Given that the climate disruption may occur in an organisation's operations or their supply chain, the failure to understand and manage related risks can potentially lead to high impact, wide-ranging consequences to businesses. Climate risks are often inter-related and may manifest in various forms across various one or more risk categories such as operational, credit, liquidity or counterparty risks."

Traditional risk approaches may not adequately address climate-related exposures. Often, climate risks may be easily overlooked as the repercussions usually sets in, in the long-term, with Year 2030 or 2050 commonly applied as timeframes.

In Singapore, the Monetary Authority of Singapore has introduced the consultation paper on Environment Risk Management Guidelines for Financial Institutions (FIs) as one of the first steps to increase awareness and evoke change in mindsets towards emerging risks. FIs play a central role in economic activity. Their adoption of climate risk mitigation measures will have a ripple effect to the rest of the economy as FIs scrutinise corporate borrowers more closely for responsible behaviours and stronger ESG performance. These impacts will be increasingly felt as the markets become more capital-strapped post-recession."

Future of workplace dynamics

Two thirds of CEOs in Singapore (68 per cent) feel that COVID-19 will lead to a widening of the potential talent pool for businesses. Many companies had been experimenting with work-from-home (WFH) arrangements even before the pandemic; the pandemic and particularly the Circuit Breaker in Singapore accelerated the trend manifold. It is likely WFH will continue to some extent beyond the peak of the pandemic as social distancing measures are retained for an extended period. 76 per cent of CEOs in Singapore will continue to build on the use of digital collaboration and communication tools to enable their employees to work remotely.

Tay Hong Beng, Partner, Head of Real Estate, KPMG in Singapore revealed:

"In the long run, as technologies evolve and it becomes easier and more acceptable to service clients remotely, potential employees may be less willing to physically relocate to a new geography. Instead, they may offer their services to future employers remotely, creating a global pool of talent for employers to hire from, disrupting current hiring practices. To remain attractive to businesses of the future who wish to tap into this expanded pool of talent, Singapore may potentially adapt its manpower and tax laws to remain attractive to leading employers in the knowledge sector, while at the same time protecting its resident workforce from unfair hiring practices."

If the trend of WFH continues post COVID-19, it may limit the demand for additional office space and even lead to higher vacancies in existing office buildings. The majority of CEOs in Singapore (84 per cent) surveyed (compared to global figure of 69 per cent), say that they will be downsizing their offices in the future, indicating that the trend of WFH and working from remote locations is likely irreversible.

Tay Hong Beng, Partner, Head of Real Estate, KPMG in Singapore discussed:

"COVID-19 has underlined the need for businesses in Singapore to build contingencies against future workplace disruption, and deep resilience to withstand their impact when they do strike. The pandemic has presented a once-in-a-generation opportunity for policy makers, business leaders and society to actively shape the future of work and make it more equitable, sustainable and diverse."

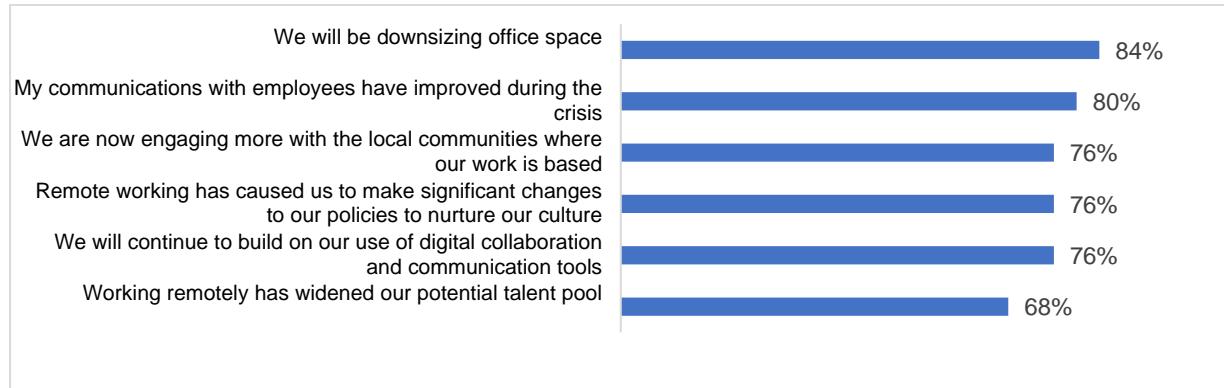
The downward pressure on occupancies in existing office buildings, and possibly rentals, may partly be mitigated by the long-term tenures of office leases and safe distancing requirements. The pandemic has also prompted a shift from large offices in the centre of the city to smaller work hubs in the suburbs and alternate Central Business District (CBD) locations. Coupled with CBD Incentive Scheme by Singapore's Urban Redevelopment Authority, this may lead to a significant reduction of office stock in



the Raffles Place CBD and the development of Grade A and Grade B office stock in upcoming alternate CBDs such as Jurong Lake District.

New office buildings are likely to be very different compared to traditional offices, to accommodate the changing needs of occupiers. Office landlords will need to be creative and innovative to provide office spaces that can complement remote working, along with other options such as space-as-a-service. The office of the future will need to foster collaboration and innovation through its layout and facilities. It must also safeguard the health as well as the intellectual capital of its occupiers, be socially as well as environmentally sustainable, and provide a high degree of connectivity for occupiers to intermingle as well as work seamlessly from the office or from a remote location.”

CEOs who agree with the following statements



Source: KPMG 2020 CEO Outlook COVID-19 Special Edition – Singapore Edition

A majority of CEOs in Singapore (72 per cent) have seen their new digital business models accelerate during this COVID-19 period. Compared to global (17 per cent), more CEOs in Singapore (40 per cent) say that progress in digital transformation of creating new digital business models has put them years in advance of where they would have expected to be right now.

Jan Reinmueller, Partner, Head of Digital Village, Advisory, KPMG in Singapore shared:
“Our findings show that in accelerating digital transformation during a global pandemic, Singapore business leaders have stayed competitive and kept up to speed with their global counterparts. It is also incredibly encouraging that a majority of business leaders expect that they will continue to invest in their journey towards digitisation. While the last couple of years really focused on the renewal of backend systems and seamless customer journeys, in the next couple of years, digital transformation will be about building completely new business models, innovative products and never-seen-before services to engage with customers and partners. The Singapore Government has backed many initiatives as part of its Smart Nation goal, and with the sustained efforts, Singapore could become a leader in digital transformation and new local champions could emerge.”

Ong Pang Thye, Managing Partner, KPMG in Singapore concluded:

“The COVID-19 crisis has inadvertently created a time for people all over the world to reflect and contemplate on what good businesses are, and what strong leadership is about. Business leaders now have to confront these new demands and start communicating reasons for their existence to provide clarity to their customers and employees. CEOs in Singapore are responding quickly, and positively by connecting to their organisations’ purpose and company values, in order to focus on the longer-term goals where employees are kept focused and customers are kept engaged. Companies which are more purpose-focused will be the ones that recover from this crisis faster post COVID-19.”



Methodology

The KPMG 2020 CEO Outlook provides an in-depth three-year outlook of global executives on enterprise and economic growth. The survey offers a unique perspective on the mindset shift of Global CEOs since the lockdown.

KPMG initially surveyed 1,300 CEOs in January and February, before many key markets were beginning to feel the full impact of the pandemic crisis. In July/August (between 6 July to 5 August 2020), KPMG conducted a follow-up survey of 315 chief executives across the globe to understand how CEO thinking has evolved during the crisis.

The Singapore Edition comprises responses from 25 CEOs spanning a range of industries including Banking, Life Sciences, Asset Management, Insurance and Manufacturing amongst others.

In all instances, all respondents have annual revenue over US\$500M and a third of the companies surveyed have more than US\$10B in annual revenue.

The January/February survey included leaders from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, , Spain, UK and US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology, and telecommunications). The recently conducted pulse survey included CEOs across the industries mentioned above and from eight key markets (Australia, Canada, China, France, Italy, Japan, UK and US). NOTE: some figures may not add up to 100 per cent due to rounding.
