KPMG 2023 CEO Outlook: Asia Pacific

KPMG Asia Pacific

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Foreword

It is our pleasure to present the 2023 KPMG CEO Outlook for Asia Pacific (ASPAC), which paints a picture of how the region's business leaders view dominant business trends — and reveals their crucial next steps. This report is based on data gathered from a survey of 1,325 corporate executives around the world, with 400 respondents representing ASPAC.

Given the turbulence of prevailing geopolitical and macroeconomic currents, ASPAC CEOs are expressing lower levels of confidence in the world's growth prospects than their counterparts elsewhere in the world. Despite this, many corporate leaders in the region retain their optimism, as they pursue active measures to counter the force of global headwinds.

A more conservative stance on their own growth outlook is common among the region's firms. This is perhaps due to lower-than-expected economic growth among many countries in the region and persisting geopolitical and global economic uncertainties. Beyond that, CEOs in ASPAC are mapping paths towards the expansion of their own business, with many looking to use digitization as leverage for growth, besides strategic investments in talent and ESG.

At the same time, ASPAC executives are less fretful about the impact of disruptive technology than their peers worldwide, suggesting growing dexterity in navigating the complexities of emerging tech in the region. Generative AI is a top area of investment for business leaders in ASPAC, which means that companies are cognizant of the vast potential this technology can bring for business utility and growth.

However, CEOs in ASPAC are also striking a vigilant pose against the risks inherent to new technology, and are especially watchful of the impact cybersecurity can have on their organizations. More needs to be done among the region's firms to strengthen their cyber defenses, especially as corporate leaders grow mindful of the sophistication of cyberattacks and the vulnerabilities that could compromise their business.

Executives in ASPAC are also increasingly aware of the gap between advancing technology and the talent needed to optimize rapid innovation. Yet even as some firms in the region are planning to scale back headcount, more executives in ASPAC intend to hone their workforce capabilities this year than in 2022. This points to a keenness in boosting the skills of their remaining workforce to stay competitive in an ever-evolving market landscape.

A sea change is likewise shaping the way organizations work and make use of their talent, as some ASPAC CEOs warm up to the concept of fully remote setups for their people. Even then, most firms in ASPAC still express a preference for their employees to return to the office, suggesting that business leaders in the region continue to place a premium on face-to-face interactions at the workplace. ASPAC executives may have to consider transforming the workplace to be more collaborative, wellness-focused and environmentally conscious to make it more desirable for workers to repopulate, as well as to lure new talent.

Foreword

As issues on sustainability, equity and good corporate governance reach critical mass, corporate leaders in the region are being called upon to build and deploy more robust ESG strategies that can withstand external scrutiny. It is a wake-up call for ASPAC executives, who disclose a lack of confidence in satisfying stakeholder expectations on their ESG efforts.

ASPAC CEOs must seize the opportunity to equip their organizations to realize sustainability, social responsibility and governance reform goals. Equally important is cementing the connection between ESG and business value. It will bode well for companies in the region to look at ESG initiatives not as a matter of compliance, but as a non-negotiable in business growth and a key enabler of market leadership.

Amid much constraint in a trying business environment, ASPAC executives should take pre-emptive action to stay resilient in the face of protracted geopolitical and economic instabilities. Fortunately, vast opportunities for meaningful business expansion are on the horizon. Corporate leaders in the region are now being challenged to remain bold, agile and flexible as they crystallize strategies to advance sustainability, enhance talent and adopt next-generation technologies.

I trust this report will prove valuable to negotiate obstacles and discover ways for business growth and organizational transformation. We hope the insights here will help you steer your organizations with greater confidence and tenacity into a future that, while uncertain, remains rich with possibility.

Honson To
Chairman
KPMG Asia Pacific and KPMG China

Four key themes lead the conversation in this year's CEO Outlook:

Economic outlook

ASPAC CEOs have a dimmer view of the state of the global economy compared with their counterparts elsewhere — and are more conservative about their business prospects in the face of global headwinds.

A cautious view

ASPAC CEOs' confidence in the global economy is lower than their global peers', with 63 percent confident of growth prospects in the next three years, compared with 73 percent of CEOs globally. However, more ASPAC CEOs (70 percent) are optimistic about their company's growth outlook, suggesting there's confidence in their companies' ability to navigate a challenging economic landscape. In particular, 84 percent of energy and natural resources firms are confident about their companies' growth prospects, likely driven by higher prices.

Concerns over cybercrime

Three in four (76 percent of) CEOs in ASPAC expect cybercrime and cybersecurity to negatively impact business prosperity in the next three years. Disruptive technology is also cause for concern for a similar share of companies in the region.

Much scope for organic growth

Organic growth is a top operational priority for 23 percent of ASPAC CEOs to achieve growth in the next three years, underscoring faith in strong growth in the region's economies relative to elsewhere. Globally, only 13 percent of firms are looking to prioritize organic growth, with 22 percent placing digitization and connectivity as a priority strategy (20 percent in ASPAC).

Talent

Business leaders in ASPAC are working towards a full return to office post-pandemic, though some CEOs in the region are challenged by talent constraints in emerging technologies.

Rewarding a return to office, but work in flux

Almost 90 percent of ASPAC executives are likely to reward employees who make an effort to come into the office with favorable assignments, raises or promotions — suggesting that most ASPAC firms prefer a return to office for most of their employees. Significantly, however, at the other end of the spectrum, 15 percent expect their companies to be fully remote in three years' time, up from zero last year.

Lagging on inclusivity

Only 66 percent of ASPAC CEOs believe achieving gender equity in the C-suite will help meet their growth ambitions, significantly lower than the 77 percent globally. More tellingly, 29 percent of ASPAC CEOs disagree that progress on diversity and inclusion has moved too slowly in the business world (19 percent globally).

Talent gaps to fill

Generative AI is advancing swiftly worldwide, but nearly 55 percent of CEOs in ASPAC report that a shortage in technical skills is impeding AI implementation in their organizations.

ESG

As sustainability and inclusivity become ever more important, ASPAC CEOs are showing an understanding of their responsibility to society. They trail their global peers in ESG action and strategy, but acknowledge the need to do more, especially when stakeholders demand greater accountability.

Recognizing ESG as a value-creator

While 69 percent of firms globally have embedded ESG strategies into their business to create value, only 55 percent of ASPAC firms have done so, illustrating that Asian businesses are behind the curve when it comes to ESG action.

Filling a void

Three in five (60 percent of) ASPAC CEOs say the public is looking at businesses to fill the void on social challenges — such as inclusion, diversity, equity, social justice and climate — against the backdrop of declining trust in governments.

Not speaking the right language

More than a third (34 percent) of ASPAC CEOs have not changed the language they use to refer to ESG internally and externally yet, compared with just 19 percent globally.

Technology

CEOs in the region identify emerging technology investments as a priority for growth and transformation, but they remain cautious about potential blowback as new technologies like AI progress at a breakneck — albeit unpredictable — pace.

Putting AI first

Around two-in-three (64 percent of) ASPAC CEOs say that generative AI is a top investment priority for their firms even as economic constraints persist, driven by 75 percent of companies in the telecommunication and technology sector. Separately, 68 percent of ASPAC firms anticipate a return on generative AI investments in one to five years.

Reaping the rewards of new tech

Increased profitability is regarded as the top benefit of implementing generative AI at their organizations by 25 percent of ASPAC CEOs, followed by job creation (21 percent). This is largely true of firms in all sectors, barring asset management, in which 24 percent of CEOs consider new product and market growth opportunities as the top benefit.

Lingering reservations

While AI investments are a priority for most ASPAC CEOs, there are concerns with its adoption — 77 percent believe generative AI is double-edged sword that could provide new attack strategies for cyber actors while aiding in the detection of cyberattacks.

Economic outlook

Fewer ASPAC CEOs are optimistic about the economic outlook than CEOs elsewhere. This is true of their confidence in the growth prospects for their companies, industries, national economies and the global economy.

ASPAC CEOs are notably less optimistic about the economic outlook than their global peers, with headwinds stemming from higher interest rates and monetary tightening.

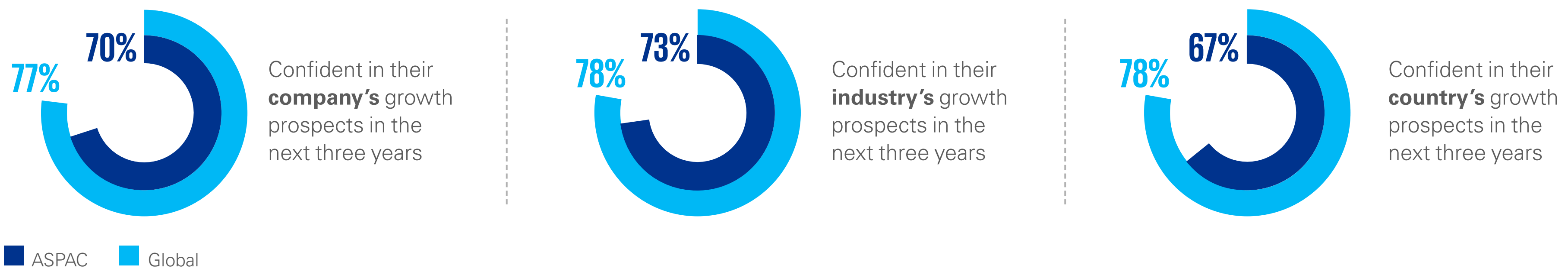
70%
of ASPAC CEOs say that soaring interest rates and monetary tightening could cause current recessions to prolong, a figure not far-removed from the…

77%
of CEOs worldwide who express the same concerns.

63%
of CEOs in ASPAC report confidence in the global economy, which is lower than the…

73%
of CEOs globally who think the same, indicating that fewer ASPAC executives share the optimism of their global peers.

Exhibit 1: Tempered expectations for growth across ASPAC



Source: KPMG

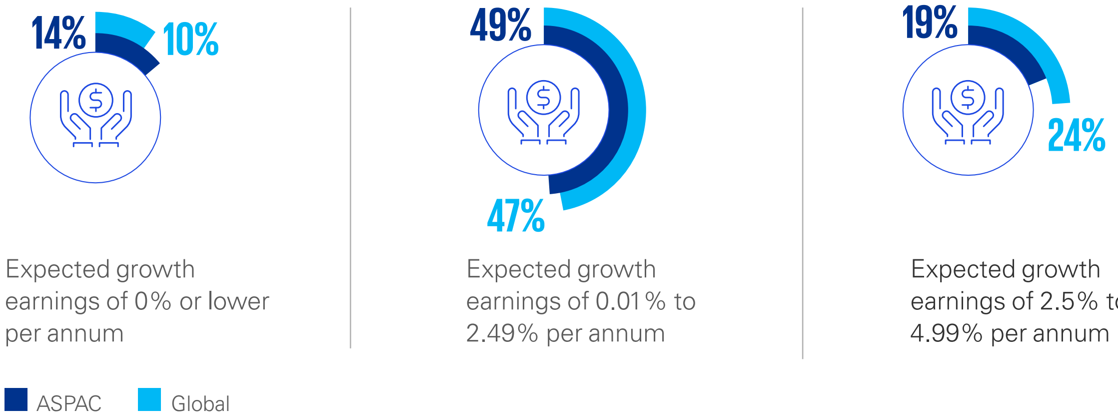
Downshifting growth expectations

Many ASPAC CEOs are optimistic about their company's ability to grow earnings over the next three years, with 86 percent saying they are expecting some level of growth per annum in the same period. This is only slightly lower than the global average of 91 percent.

CEOs in the region are still conservative about their earnings outlook. Last year, 49 percent of ASPAC business leaders expected income growth ranging from 2.5 percent to 5 percent over the next three years. The share of respondents expecting the same this year has fallen to 19 percent, reflecting a more somber attitude towards company earnings.

A greater share of ASPAC companies surveyed this year expect lower earnings growth over the next three years — 49 percent of the region's firms expect their earnings growth to remain under 2.5 percent in this period, up from 30 percent last year. This indicates that more CEOs in Asia Pacific are taming their growth expectations as businesses reckon with persisting macroeconomic challenges.

Exhibit 2: ASPAC businesses' earnings outlook



Source: KPMG

A healthy appetite for M&A

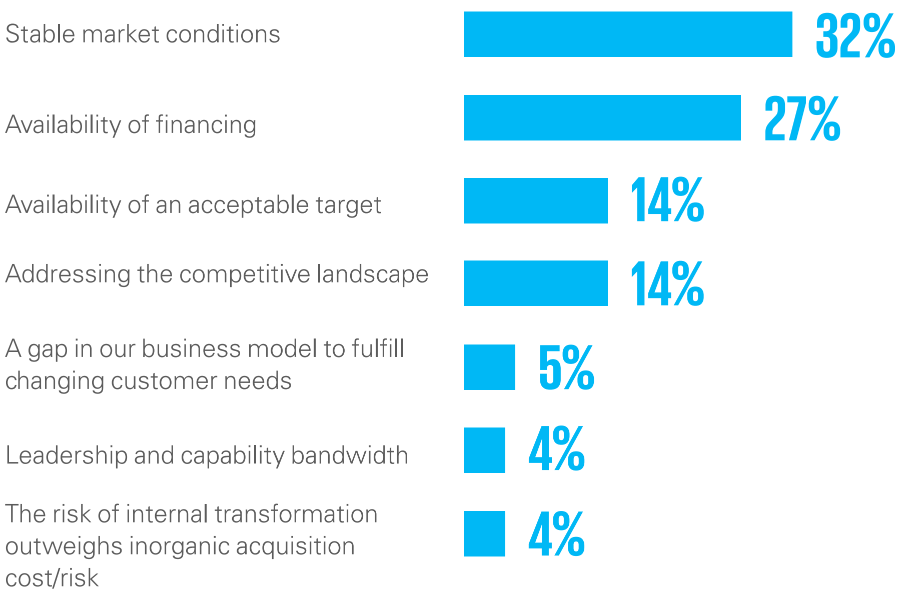
More than four in five (83 percent) ASPAC CEOs say they are moderately to highly likely to undertake acquisitions of varying organizational impact over the next three years, only marginally lower than the 88 percent globally. However, this represents a substantial year-on-year decline in the appetite of the region's firms for M&A, with 92 percent in 2022 saying they were moderately to highly likely to undertake acquisitions. This reflects mellowing expectations among executives for the region's economic outlook.

In fact, 23 percent of business leaders in ASPAC are reshuffling their operational priorities to focus on organic growth as a way to expand their business instead, much higher than the 13 percent doing so globally.

There is also strong focus on advancing digitalization and connectivity across the business, with 20 percent of ASPAC CEOs selecting it as an operational priority to achieve growth objectives. It is projected that digitalization and connectivity will boost operational efficiencies while driving a more connected view of data, helping enrich the client and people experience delivered by businesses.

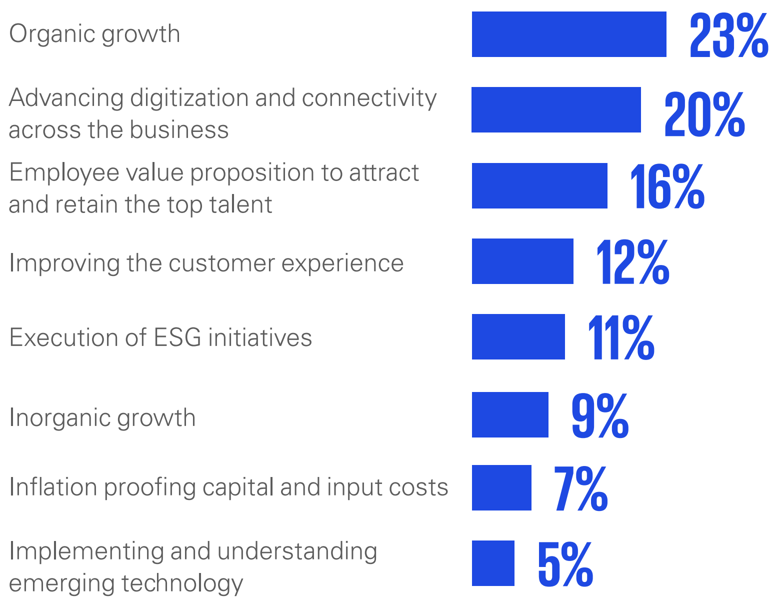
The banking sector is an exception, with 28 percent of its CEOs prioritizing employee value proposition to attract and retain the necessary talent to achieve their growth objectives. Meanwhile, 30 percent of CEOs in insurance are looking to improve customer experience as the key to achieving growth.

Exhibit 3: Preconditions for prioritizing inorganic growth



Source: KPMG

Exhibit 4: Operational priorities to achieve growth



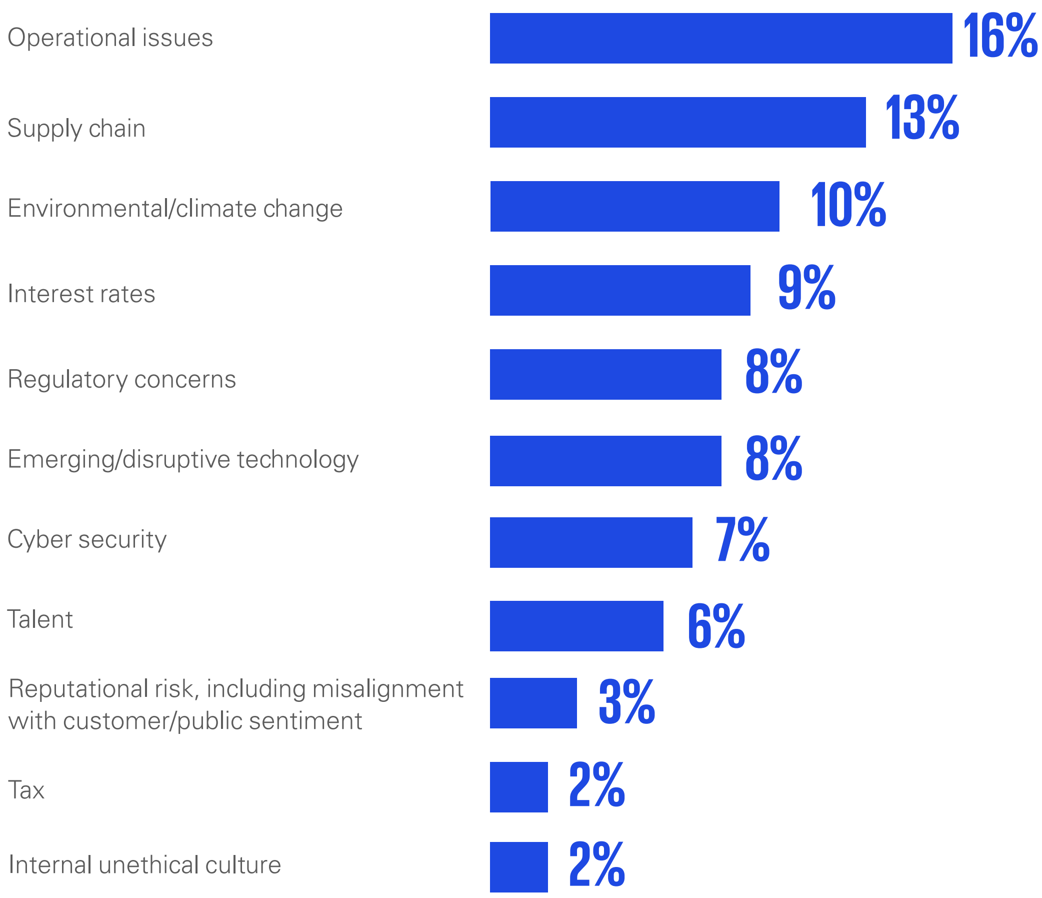
Source: KPMG

Risk factors

With economic prospects looking subdued, how ASPAC CEOs are thinking about risk is changing. Geopolitics and political uncertainty are a leading cause for concern for business leaders in the region, who have identified this as the primary threat to business growth over the next three years. This mirrors global business leader sentiment, which also top-ranks geopolitics and political uncertainty as the foremost risk to business expansion. Executives in Asia Pacific are likewise concerned about risks relating to operational issues, as well as continued supply chain disruptions and inconsistency in supply.

At the same time last year, the key risks businesses were chiefly concerned about were regulatory concerns, emerging technologies, and factors related to climate change and the environment. This year, just 8 percent of ASPAC firms regard regulatory concerns and emerging/disruptive technology risk as the biggest threat to their growth over the next three years. Last year, the share of ASPAC CEOs who were concerned about regulatory concerns (17 percent) and emerging technologies (13 percent) was higher.

Exhibit 5: Risks to growth over the next three years

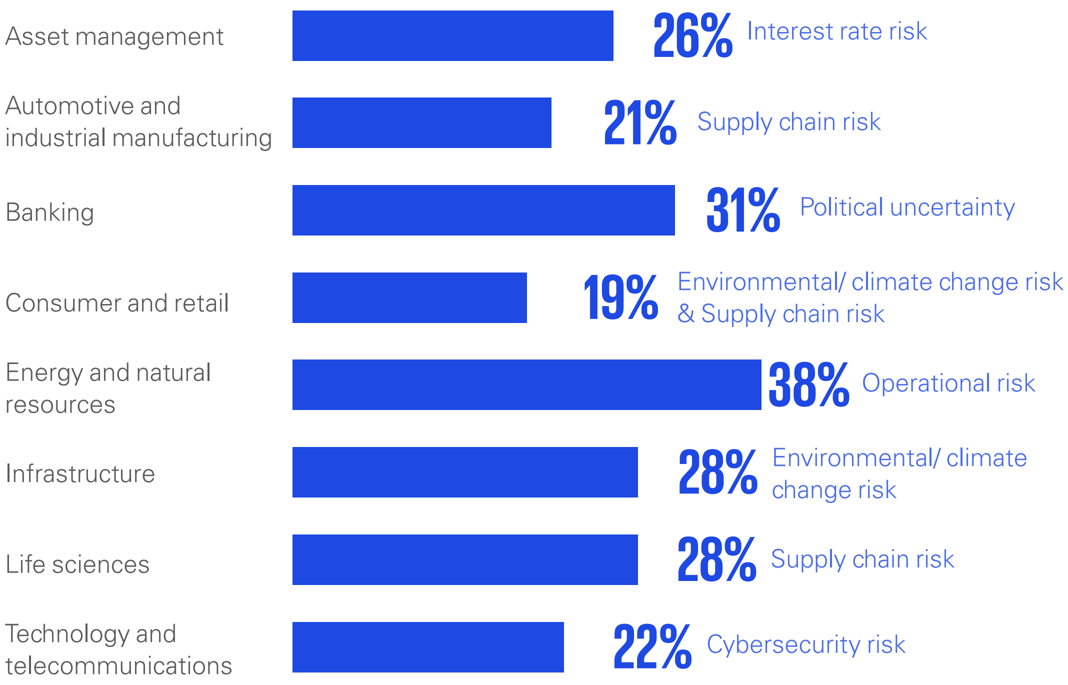


Source: KPMG

The regional numbers belie sharp differences in terms of how risk is perceived across different sectors. Given persistently high interest rates, it is not surprising that 28 percent of asset management firms in the region consider interest rate risk to be the greatest challenge over the coming three years. But in the banking sector, political uncertainty emerges as the risk cited by most as the most pressing (31 percent).

In the meantime, businesses continue to grapple with supply chain risk, particularly those in the consumer and retail (19 percent) and automotive and industrial manufacturing (21 percent) sectors, indicating that while post-COVID upheaval in supply chains may have eased, some challenges continue to linger.

Risks posing the greatest threat to different industries over the next three years



65%

ASPAC CEOs have already adapted their growth strategy because of interrelated challenges

34%

of ASPAC CEOs are planning to adapt, but have not done so yet

Anticipating difficulties

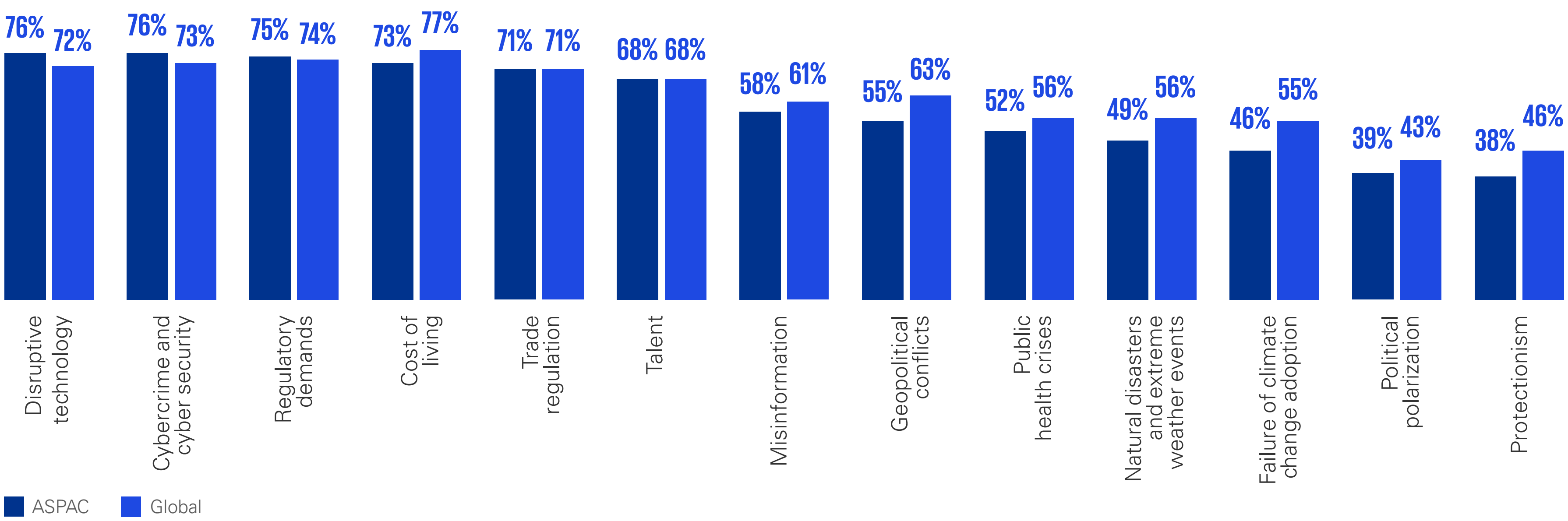
Disruptive technology, and cybercrime and cybersecurity are top of mind for most ASPAC CEOs as they consider what trends may negatively impact their organizations' prosperity over the next three years, suggesting that despite somewhat tempered anxieties around technological disruptions, ASPAC CEOs remain vigilant about their impact on business.

CEOs in the region are equally attuned to the impact of changing regulatory demands, the high cost of living and shifting trade regulations on their business. However, compared with their peers globally, fewer ASPAC CEOs expect geopolitical conflicts (55 percent versus 63 percent) and natural disasters or extreme weather events (49 percent versus 56 percent) to negatively impact business prospects in the coming three years.

Similarly, only 38 percent are concerned about growing protectionism impacting their companies' fortunes, compared with 46 percent of CEOs globally, perhaps indicating that Asia Pacific economies trail their counterparts in the West when it comes to growing protectionist rhetoric (and action).

About seven in 10 ASPAC CEOs are concerned about talent-related issues impacting business, but the number shoots up to 83 percent in the technology and telecommunication sector, underscoring the need for the region to invest more in its tech talent and its upskilling.

Exhibit 6: Trends expected to create a negative impact on organizational prosperity



Source: KPMG

Talent

Boosting their employee value proposition is a top three priority for fostering business growth among ASPAC CEOs, confirming that attracting and retaining valuable talent remains critical for business executives in the region.

More ASPAC CEOs are also looking to invest in their human resources this year compared to 2022. While only 33 percent of those surveyed last year reported plans to invest in developing their workforce's skills and capabilities, the share has climbed to 49 percent in 2023 — also higher than the global average of 46 percent. The share is even higher in the energy and natural resources (59 percent) and life sciences (56 percent) sectors.

About half (51 percent) of ASPAC CEOs are prioritizing capital investments in buying new technology, and the share of banking (62 percent) and technology and telecommunications (57 percent) companies doing so is greater.

“Executives in ASPAC are increasingly aware of the gap between advancing technology and the talent needed to optimize rapid innovation. A keenness to boost the skills of their workforce is clear, guided by a strong focus on digitalization to drive cross-business connectivity. This can lead to an elevated employee value proposition and improved growth through a more consistent customer experience.”

Mark Saunders
Asia Pacific Head of Clients & Markets
KPMG

Workforce upskilling vs tech upgrades

49%

plan to invest in developing the skills and capabilities of their workforce, while

51%

are looking to devote more resources to buying new technology.

However, companies in ASPAC are under pressure from persisting economic constraints, and some are buckling by whittling down on manpower. Last year, only 1 percent expected any headcount decrease. In 2023, the number has risen sharply to 18 percent — also much higher than the 8 percent reported globally.

Together with the significant uptick in the number of ASPAC businesses looking to invest in workforce upskilling, this could suggest that while more companies in the region are planning to let go of employees, they are also more likely to channel resources into strengthening their remaining human resources to help their organization weather global headwinds.

Shoring up headcount but also letting go

70% of ASPAC CEOs expect an increase in headcount, indicating that more firms are still looking to hire than fire. However, this is lower than the

81% of global CEOs plan to hire additional staff, indicating that CEOs in Asia Pacific are tightening their belts more snugly than their global counterparts.

18% However, 18 percent of ASPAC CEOs expect headcounts to decrease, compared with just 8 percent globally.

Hybrid/ remote working

A wave of change is sweeping across ASPAC companies and the way they are thinking about remote work. As doors swung open post-COVID and employees were ordered back to the office, no Asia Pacific company in 2022 said they foresaw a full transition to remote work in three years' time.

This has shifted dramatically in just a year: 15 percent of ASPAC business leaders can now imagine a fully remote working environment for their employees within three years. This is more than double the 7 percent recorded among CEOs globally.

Envisioning work conditions in the next three years

62% of ASPAC CEOs expect a complete return to in-office work.

22% are considering a hybrid setup.

15% foresee a shift to fully remote work.

> There has been a significant shift in the ways of work, with 15 percent of business leaders now in favor of a fully remote working environment. This calls for preparedness in new ways of working and leading organizations to ensure that the corporate culture is intact while spending less time in offices.
>
> Ivana Arlianto
> Asia Pacific Head of People Performance and Culture
> KPMG

Even then, ASPAC executives are putting a higher premium on in-office work than their global counterparts, leading to a greater willingness to reward employees who show up at the office with favorable assignments, raises or promotions. Yet with more employees demanding greater flexibility in their work environment — especially among younger workers and female employees — the 62 percent of ASPAC CEOs who expect a complete return to in-office work may confront workplace tensions that could challenge their perspective. Executives in the region must learn to manage employee expectations on flexible work setups, while maintaining openness to workplace solutions that do not always require staff to be present in-office.

Incentivizing in-office work

90% of CEOs in Asia Pacific are likely to reward workers who strive to appear in-office, compared with

87% of CEOs worldwide.

Seeing the big picture

Amid big shifts in the way that workplaces are organized and managed, key leadership styles are emerging as more common than others in Asia Pacific. Unlike other executives in the rest of the world, more ASPAC CEOs prefer to take a big-picture approach to succeed in a quickly changing world, rather than making decisions at a micro level.

44%

of ASPAC business leaders do not believe that micro-level decision making will ensure success in a swiftly changing world, versus

33%

in the rest of the world.

Trailing on diversity and inclusion

As the workplace transforms to account for greater inclusion, diversity and equity, ASPAC CEOs are cognizant of the role they must play to create a level playing field in their organizations. Yet companies in the region fare poorly compared with their global peers when it comes to achieving equity and diversity in their organizations — especially at higher levels of corporate leadership.

Considering that 90 percent of CEOs in ASPAC are likely to reward workers who strive to appear in-office, business leaders in the region should be alert to the potential of encouraging gender disparities in the workplace — more so for female workers, especially mothers, who will require slightly more time off than their male peers. Favor given to employees who appear in-office can also slow the progress on gender diversity in the C-suite. Executives in the region are encouraged to be vigilant to these risks, and to create a stronger push for inclusion, diversity and equity in their organizations.

Companies in Asia Pacific may have to reevaluate their positions on strengthening these values, or be left behind by other firms. It remains to be seen if this will happen, given that only 54 percent of ASPAC CEOs believe that progress on diversity and inclusion has moved too slowly in the business world, compared with 66 percent of CEOs globally, illustrating that the push for change from the top is not as strong as it ought to be.

66% of ASPAC CEOs say that achieving gender equity in their C-suite will help assure the fulfillment of growth ambitions, compared with

77% of their global peers

61% of ASPAC CEOs say diversity in workplaces requires implementing a change across leadership at the senior level, versus

72% globally

54% of ASPAC CEOs agree that progress on diversity and inclusion has moved too slowly in the business world, as compared with the

66% global average

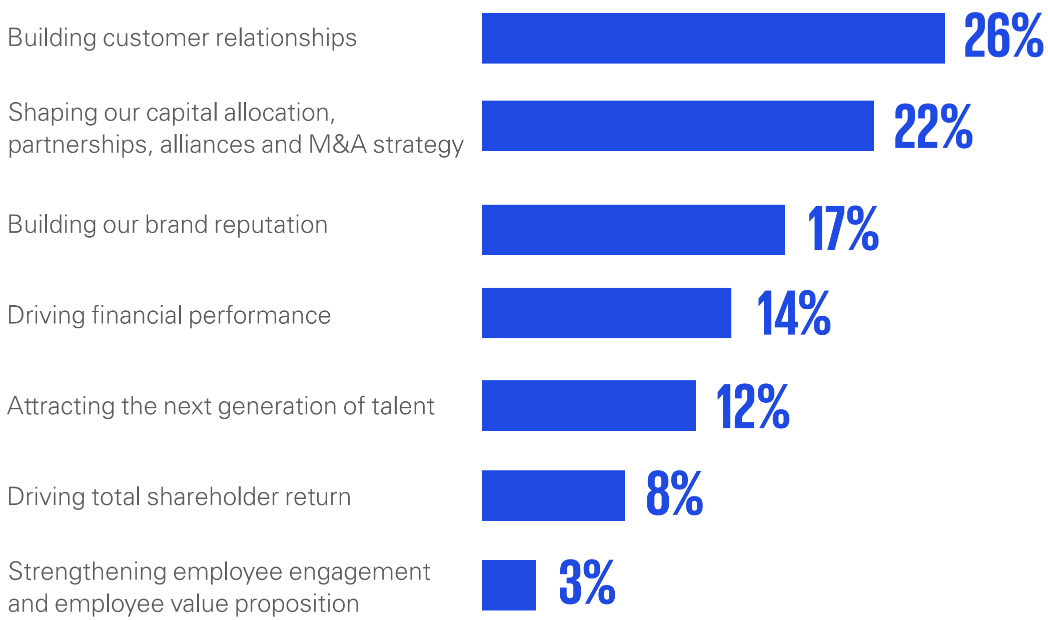
ESG

Opportunities to drive change

As the discourse intensifies on environmental sustainability, social equity and good corporate governance, ASPAC CEOs are taking stock of opportunities to create impact in the ESG space. Fostering client trust appears to be a primary motivator for their ESG initiatives, as 26 percent of companies in the region believe their ESG strategy will have the greatest impact on building customer relationships in the next three years.

Similarly, external relationships are in the top three areas of significant ESG impact for ASPAC CEOs, who identify corporate partnerships and alliances and building brand reputation as activities where their ESG initiatives can make the most difference. These areas are also in the top three globally.

Exhibit 7: Areas where ESG is expected to create greatest impact



Source: KPMG

At the same time, business leaders in Asia Pacific are grappling with obstacles to fulfilling climate-related goals such as net zero, particularly the complexity of decarbonizing supply chains. This is particularly true of companies in the consumer and retail sector (47 percent), given the number of suppliers involved and their complicated supply chains.

Notably, 14 percent of companies in ASPAC find the cost of decarbonization prohibitive, more than the 10 percent recorded globally. The number shoots up to 31 percent in the energy and natural resources sector, and to 28 percent in the infrastructure sector.

Exhibit 8: Barriers to achieving net zero or other climate goals

Additionally, 17 percent of ASPAC executives say their companies do not have the necessary capacity to meet new reporting standards — more than double the global average of 8 percent.

65%

of ASPAC firms have the capacity required to meet new reporting standards, much lower than the

74%

reported globally.

Bridging the gap between ESG initiatives and value

When it comes to linking ESG initiatives with value creation, companies in Asia Pacific are lagging their global counterparts. A significantly higher number of ASPAC CEOs say their companies have not fully integrated ESG in a way that brings their company added value, highlighting the need for firms in the region to strengthen the link between ESG efforts and organizational gains.

55%

of ASPAC firms have fully embedded ESG into their business as a way to create value, lower than the

69%

global average.

Deriving business value from the adoption of ESG initiatives is one thing — bringing value to society through sustainability and governance practices, another. When asked if the public is demanding greater accountability from businesses to fill the gap left by governments, 60 percent of ASPAC CEOs agree — marginally lower than the global average of 64 percent.

Even then, 79 percent of ASPAC CEOs still believe they have a responsibility to drive social mobility, equal to the number recorded globally.

Investing strategically in ESG

When it comes to investing in ESG, CEOs in ASPAC are prioritizing the fundamentals, beginning with governance practices in their organizations (36 percent of respondents). This may be due to the greater difficulty of implementing governance efforts across organizations, thus compelling executives in the region to sharpen their focus on this ESG component. Addressing environmental challenges is the next priority, while social and community programs — including diversity, equity and inclusion practices — ranks third. This is slightly different to the priorities of their global counterparts, for most of whom environmental concerns are top-ranked, followed by governance models and social programs.

Priority investments in ESG

36% Governance models and transparency protocols, such as best practice reporting

35% Addressing environmental challenges, such as achieving net zero

21% Social and community programs

Priorities differ by industry too. In the automotive and manufacturing, and the energy and resources sectors, for example, addressing environmental challenges is the top priority for a much larger share of businesses (43 percent and 50 percent respectively), which is to be expected given their direct contribution to emissions.

Supporting social and community programs

54% of ASPAC companies invest in programs aligned with their core values globally,

27% invest primarily in one program, while

16% invest in local programs

Companies in Asia Pacific are having a harder time than their global counterparts in meeting all their ESG priorities at once. Nearly half (48 percent) of ASPAC CEOs do not think it is possible for their businesses to address all ESG priorities simultaneously, far more than the global average of 32 percent.

> **“ASPAC CEOs are paying more attention to governance than ever before. This comes from a recognition that having the right governance acts as an important enabler in the implementation of sustainability and other related practices.”**

Derek Lee
Asia Pacific Head of ESG
KPMG

Flagging confidence under scrutiny

Beyond dealing with internal challenges for implementing ESG initiatives, ASPAC CEOs also face tremendous external pressure to perform well on the sustainability and governance fronts. Seven in 10 (69 percent of) ASPAC executives are not confident that they can withstand potential scrutiny from stakeholders on the implementation of their ESG agenda.

Taking the heat

31%

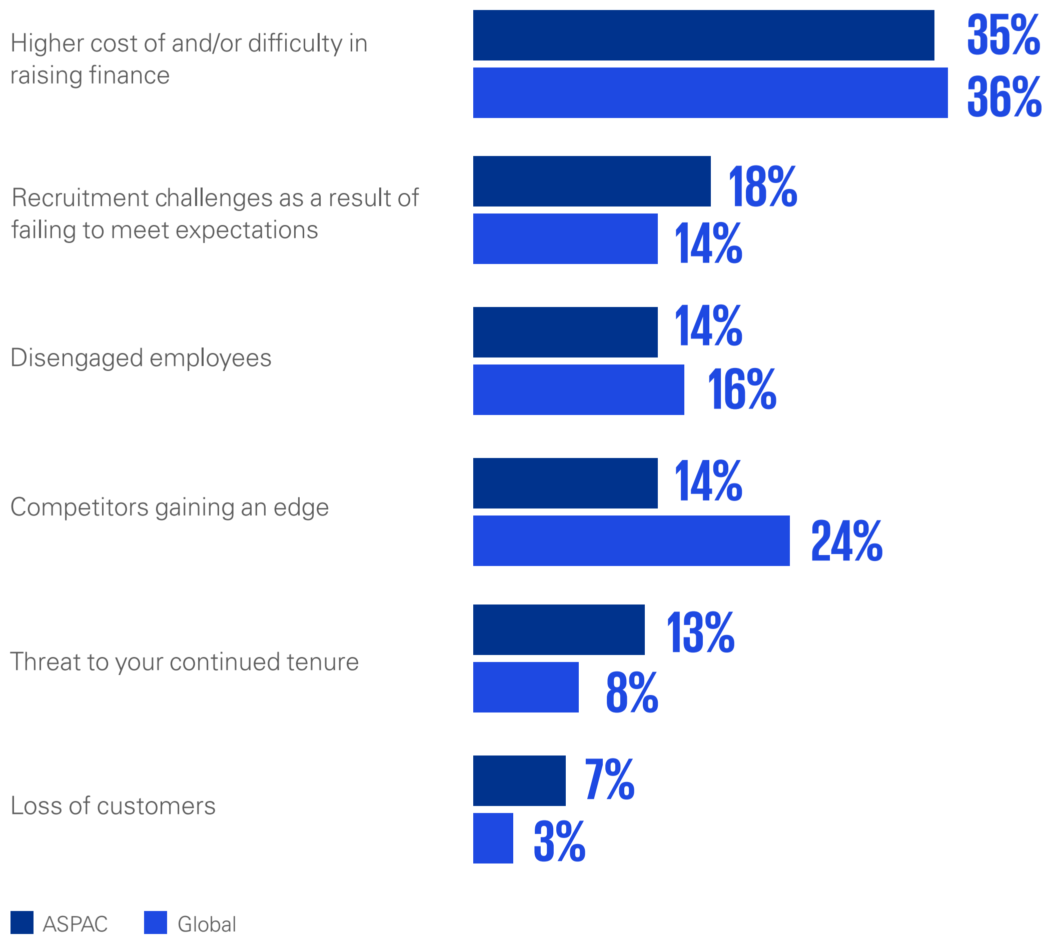
of ASPAC CEOs say their firms can hold up under potential scrutiny from stakeholders and shareholders, while

69%

are unprepared for such scrutiny

However, ASPAC CEOs appreciate that there are material consequences for failing to meet stakeholder expectations, highlighting the need for companies in the region to fulfill their ESG goals to avert untoward effects on their businesses. CEOs in Asia Pacific identify the following areas of anticipated impact should they fail to satisfy stakeholder demand:

Exhibit 9: The downside to failing to meet ESG stakeholder expectations



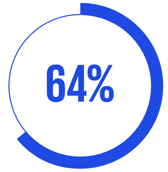
Source: KPMG

Technology

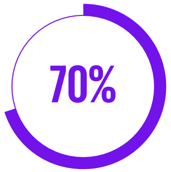
While turbulent economic conditions and geopolitical uncertainties may have led companies in Asia Pacific to trim their growth outlook, these difficulties have not dented ASPAC CEOs' willingness to invest in areas that can make a difference — including in new and emerging technologies like generative AI.

A fair majority of executives in the region consider generative AI a top investment priority for their business, with an eye for sparking growth and creating jobs. Compared with their global peers, however, ASPAC CEOs are expecting a slower rate of return for their generative AI investments, pointing perhaps to the complexity of integrating emerging technology with legacy systems in the region.

Prioritizing generative AI



of ASPAC CEOs confirm that generative AI is a top investment priority, compared with

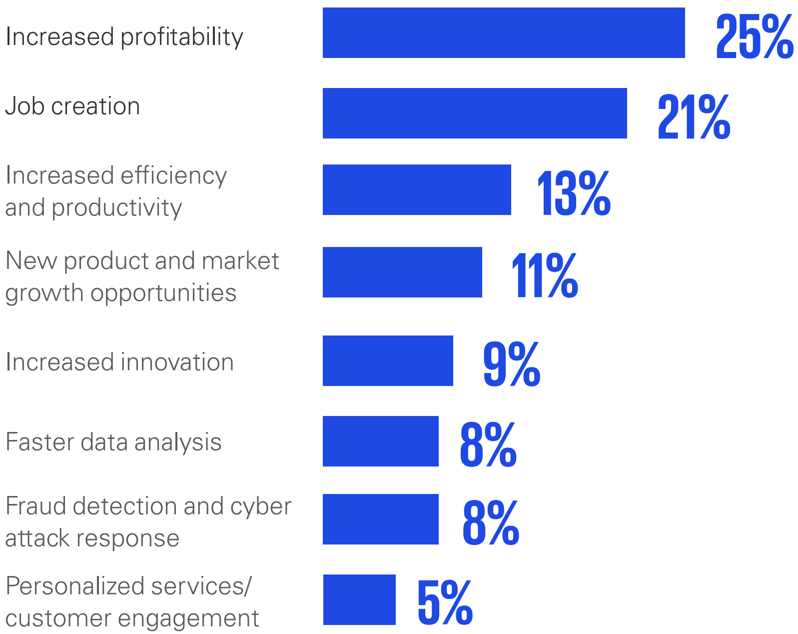


of CEOs globally

> **CEOs in the region should pay attention to developments in generative AI on multiple fronts – whether it's to improve performance, aid growth, or in the management of talent within their organizations. Ethics, governance and security matters will prove just as important, and CEOs will do well to seek input, advice and knowledge in this quickly evolving area.**

Jeffrey Wong
Asia Pacific Head of Advisory
KPMG

Exhibit 10: Top benefits of introducing generative AI into business



Source: KPMG

Increased profitability is picked by a quarter of ASPAC CEOs as the top benefit of implementing generative AI, driven by the consumer and retail (44 percent) and insurance (33 percent) sectors.

Rate of return on generative AI investment

43%

of ASPAC CEOs expect a return on investment in three to five years, compared with 52% globally

30% of business leaders in the region expect a return rate of more than five years, compared with

21% globally

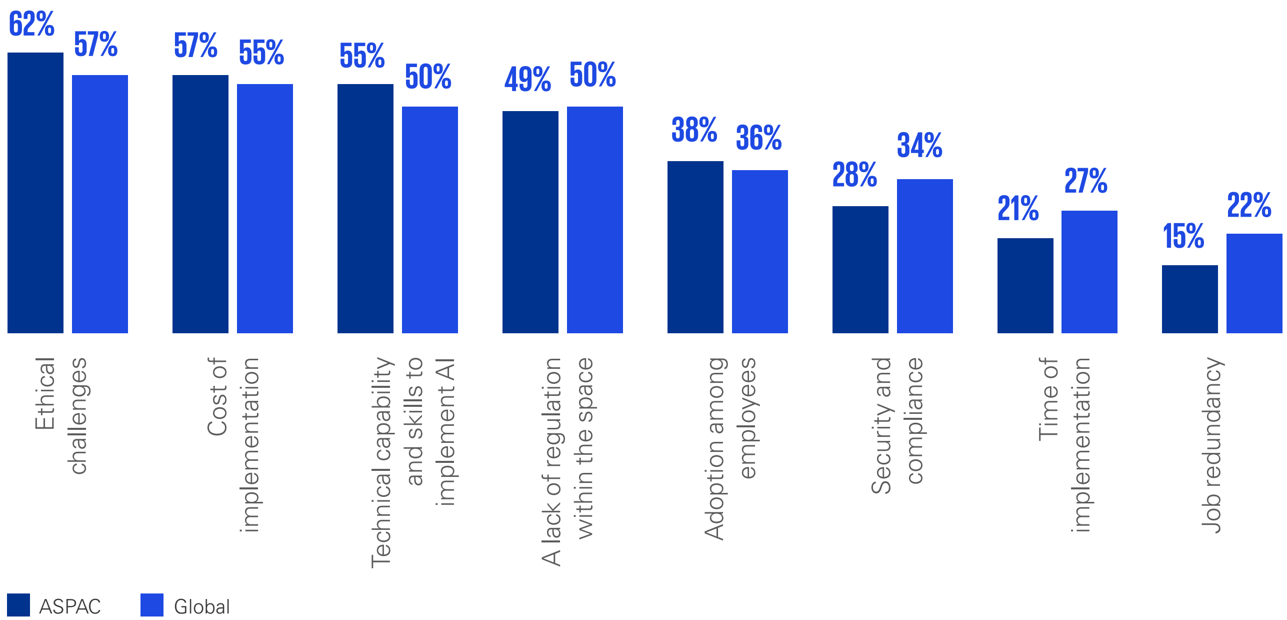
25% of Asia Pacific executives foresee a return on generative AI investments in one to three years, compared with the

24% global average

Looking out for challenges

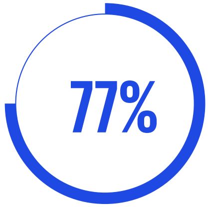
Despite the promise of greater profitability and increased efficiency offered by generative AI, executives in Asia Pacific anticipate several complications in its adoption. It is worth noting that of all the challenges identified, only 15 percent of ASPAC CEOs are concerned about job redundancy as an area of difficulty for integrating generative AI in their business — less than the 22 percent global average.

Exhibit 11: Challenges to implementing generative AI in an organization

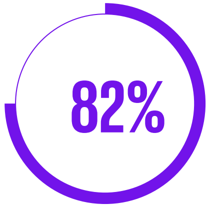


Source: KPMG

At the same time, there is recognition among ASPAC CEOs that generative AI could be a double-edged sword — on the one hand empowering businesses to arm themselves against cyberattacks, while creating openings to more refined attack strategies on the other.



of ASPAC CEOs believe that generative AI is a double-edged sword, compared with the



global average

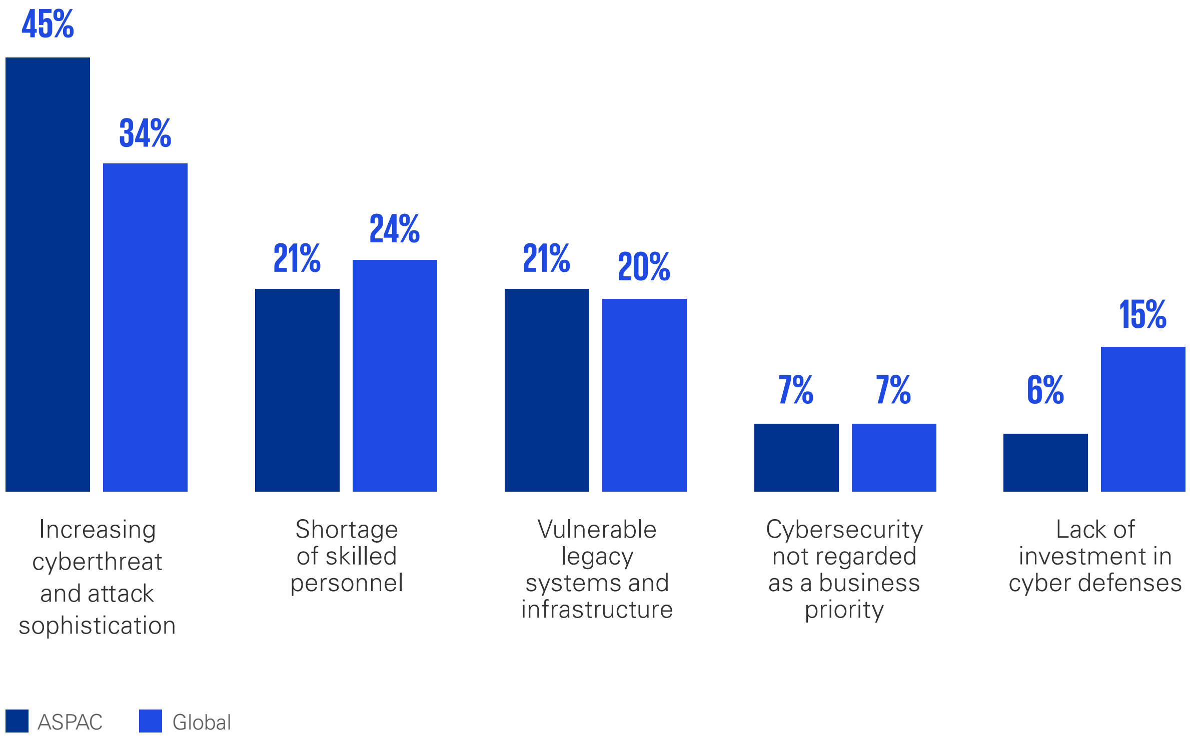
Uncovering weak spots

ASPAC CEOs are homing in on vulnerabilities to their systems and organizations, with 29 percent saying they are underprepared for cyberattacks. The share is considerably higher in the energy and resources (34 percent) and infrastructure (40 percent) sectors.

The consumer and retail sector appears to be doing significantly better, with just 19 percent of CEOs in the sector saying their organizations are underprepared for a cyberattack. This is good news in light of the growing number of cyber fraud incidents globally.

Of those underprepared across ASPAC, 45 percent say it is because of the increased sophistication of cyberthreats and attacks. This is considerably more than the 34 percent global average, pointing to the need for firms in the region to pursue more agile and preemptive solutions against advanced cyberthreats. Yet, only 6 percent of ASPAC CEOs are concerned about insufficient investments in cyber defenses — much lower than the 15 percent globally.

Exhibit 12: Why ASPAC CEOs feel underprepared for a cyberattack



Source: KPMG

Exploring opportunities for growth

ESG

- **Change begins in the boardroom:** CEOs should secure universal buy-in for their ESG agenda from board executives to effectively cascade sustainability-linked changes from the top down. Without board support, companies will find it difficult to design and implement their ESG priorities effectively across the organization, leading to scattered efforts that produce piecemeal results.
- **Design and implement an ambitious strategy:** ESG initiatives can yield meaningful results when they are founded on a comprehensive and bold strategy that accounts for and links all business verticals in an organization. By building and executing such a strategy, companies can better withstand stakeholder scrutiny and ensure greater success in fulfilling their short- to long-term ESG goals.
- **Link ESG with competitiveness:** CEOs should recognize that an impactful and productive ESG agenda is crucial to driving business growth and market leadership. As part of this, CEOs should enable the development of an ESG strategy that brings decisive value not only to their business, but also to society at large —which can consequently give them an edge over competitors.
- **Leverage ESG efforts to attract and retain talent:** ESG can be a potent instrument for empowering the existing workforce and drawing prime talent to an organization. CEOs should build an environment where a progressive, values-driven ESG agenda can be deployed to attract — and keep — the best and brightest.

Talent

- **Foster collaboration:** Workplaces are evolving to be more collaborative, where decision-making is participatory and internal stakeholders have a voice. By nurturing a collaborative culture in their companies, CEOs can create an environment in which workers understand they have a stake in the business' success, and are empowered to fulfill their workplace potential.
- **Build robust systems:** As businesses in the region embrace new ways of working, companies that are experimenting with hybrid and fully remote setups should build reliable systems on which employee engagement and productivity can flourish. This is a chance for CEOs to break ground in setting management and operational precedents for success in a non-traditional workplace.
- **No decision is too small:** While big-picture thinking enables CEOs in the region to take a visionary approach in leading their business, there is also value in having a firm grasp of the day-to-day decisions that steer the company towards its goals.

Technology

- **Recognize the value of generative AI for client servicing:** Designed and implemented strategically, generative AI solutions can yield significant dividends for building customer trust and loyalty, key in an increasingly competitive landscape.
- **Upskill workers in step with tech innovations:** A skills deficit in emerging tech can render businesses extremely vulnerable to cyberthreats. At the same time, skills gaps prevent companies from optimizing emerging technology to their benefit. CEOs have the opportunity to upskill their workforce in keeping with technological trends, helping future-proof their organizations in the face of rapid innovation and stiff competition.
- **Be proactive in mitigating cybersecurity:** Cyberthreats and attacks are increasing in sophistication, demanding a proactive and innovative strategy to effectively ward them off. Firms in the region should buttress their cyber defenses to protect their business and safeguard customer welfare.
- **Keep an eye out for other emerging tech:** Beyond generative AI, CEOs should explore the potential for other new technologies to transform their business, bolster cybersecurity and create conditions for further growth.

Methodology and contacts

About the KPMG 2023 CEO Outlook

The 9th edition of the KPMG CEO Outlook, conducted with 1,325 CEOs between 15 August and 15 September 2023, provides unique insight into the mindset, strategies and planning tactics of CEOs.

All respondents have annual revenues over US$500M and one-third of the companies surveyed have more than US$10B in annual revenue. The survey included leaders from 11 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).

NOTE: Some figures may not add up to 100 percent due to rounding.

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