KPMG 2020 U.S. CEO Outlook

KPMG LLP

read.kpmg.us/ceo-outlook

Foreword

Paul Knopp
Chair and CEO
KPMG U.S.

This year's CEO Outlook comes at a trying time as CEOs continue to navigate their businesses through uncharted territory of the COVID-19 pandemic, ongoing economic uncertainty and social unrest across the globe.

To better understand how organizations are managing today's new reality, our latest study examines how global CEOs' priorities and concerns have changed during the pandemic. U.S. CEOs have much in common with their peers around the world and are approaching the challenges and opportunities before them with confidence. They have relied on technology solutions to adjust to the changing needs of their customers and employees, and placed a greater emphasis on values, purpose and culture as well as Environmental, Social and Governance (ESG) initiatives.

A majority of U.S. CEOs are more optimistic about the growth prospects of their companies and industries than they were at the beginning of the year. They have been accelerating their digital transformations, and emerging technologies have enabled many companies to thrive and others to sustain their business during these challenging times.

There is no turning back from the new models and expectations developed during the pandemic. These new expectations are not limited to the financial side of the business. If anything, they are even stronger when it comes to culture and purpose. Going forward, CEOs will need to continue to actively participate in creating a nurturing culture for their employees and keeping communication lines open.

In this report, CEOs and KPMG leaders share their perspectives on the business landscape over the next three years. Amidst these unprecedented times, CEOs are resourceful and are working hard to adapt to constantly evolving circumstances. I'm confident they will continue to overcome the challenges and embrace the opportunities that lie ahead.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

A bifurcated recovery:

Economic outlook and business confidence

"The fundamental drivers of economic growth are there, and the long-term trends are still very positive as we get out to the back half of next year, into 2022 and beyond."

Michael Wirth
Chairman of the Board and CEO
Chevron

U.S. CEOs are showing resilience in the face of the COVID-19 pandemic, which they have approached with a proactive, technology-driven response. Our research reveals that confidence levels about growth are higher among CEOs who have invested in digital acceleration to prime their organizations to weather the pandemic and emerge stronger on the other side.

"CEOs are being forced to not only make tough decisions that they may have put on the sidelines for a while but to also accelerate efforts around technology to transform operating models and reshape their business. This in turn is unleashing additional potential for their organizations," says Tandra Jackson, Vice Chair, Growth and Strategy, KPMG U.S. "Additionally, the pent up demand in some industries and a lot of private capital waiting to be leveraged means that we may see a growth surge across industries once we are through the uncertainty."

U.S. CEOs' confidence in three-year growth prospects has increased since the beginning of the year. Sixty percent say they are more confident in the growth prospects for their company than they were earlier in 2020, and 65% are now more confident about the growth prospects for their sector. Fewer feel more confident about the growth prospects for the country (43%) and the global economy (37%) (Figure 1).

Yet when it comes to earnings over the next three years, U.S. CEOs have become somewhat less confident. At the beginning of the year, 50% anticipated that their earnings would grow by at least 2%, but post-COVID-19, only 42% think that their earnings will grow by at least 2.5% over the next three years.

Constance Hunter, Chief Economist at KPMG U.S., notes that economic recovery depends on the progression of the virus this fall as well as future fiscal relief. She predicts a swoosh-shaped recovery—a sharp drop with a growth line slowly bending upward. Hunter adds that fourth-quarter downward scenarios are still possible and most likely would be associated with challenges from schools reopening.

"It gets down to the time frame," says Michael Wirth, Chairman and CEO of Chevron Corp. "In the near term, we still have some uncertainty since we have to see how the virus plays out. There are also some structural changes in the economies that have happened that we're going to have to adjust to. But the fundamental drivers of economic growth are there, and the long-term trends are still very positive as we get out to the back half of next year, into 2022 and beyond."

Figure 1: U.S. CEO Confidence in growth prospects

(U.S. CEOs who say they are more confident now than at the beginning of the year)

In terms of growth prospects, please indicate your level of confidence in the following over the next 3 years, compared to the beginning of the year:

Growth prospects

65%	60%	43%	37%
for your sector	for your company	for your country	for global economy

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

> "The driving factor in the macro environment after the virus itself is the balance of the FOMO (Fear Of Missing Out) versus FOGO (Fear Of Going Out) mindsets of consumers."
>
> **Constance Hunter**
> Chief Economist, KPMG U.S.

"It's going to be a bifurcated recovery," says Hunter. The pandemic has had the biggest negative impact on the sectors that require high physical contact between workers and customers. This explains why the leisure and hospitality sector is still experiencing a 25% decline in workers. Industries where workers could smoothly transition to full-time remote work, such as finance and insurance, or could modify their work environments to limit interaction with the public, such as construction, have fared much better. Many industries, such as manufacturing and retail, have been forced to transform legacy business practices in order to keep their organizations running through the pandemic.

"In the sectors where demand has plummeted dramatically due to COVID-19, there are also opportunities to create new revenue streams by pivoting to different channels, serving different customer groups or utilizing assets differently," says Jackson.

This bifurcated impact of the pandemic was reflected in our interviews with CEOs from two sectors very differently affected by the pandemic: energy and construction.

"In the energy sector, there are challenges near term," says Wirth. "People are not traveling and so demand for our products is clearly down. Earlier this year, there was a market share war started by Saudi Arabia and Russia, bringing supplies into the market at a time when demand was contracting at a rate never seen before. And we've seen a lot of bankruptcies in our sector. Our company came into [the pandemic] probably the strongest in our sector. We were well prepared for a difficult period of time and we continue to be in a strong position."

"The construction industry is on fire right now," says Maggie Hardy Knox, President of 84 Lumber, the largest family-owned-and-operated building materials supply company in the U.S. "We are very fortunate that our company was deemed an essential business. We build the American dream for people. Because of that, we are set to have a fantastic year as a company even during the pandemic. I'm extremely confident about the constant growth of 84 Lumber."

Other industries needed government support to continue operating. "COVID-19 highlighted the importance of tax for many CEOs," says Greg Engel, Vice Chair for Tax at KPMG U.S. "From the CARES Act, HEROES Act, employee retention credit, payroll tax deferral decisions, and beyond—tax relief for businesses and individuals alike took center stage like never before. And with that, tax modeling and data-driven tax scenario planning for the short- and long-term not only became major business imperatives for many companies, helping them to better assess risk and navigate the financial impacts of the virus, but it also drove the speed of technology to better position their organizations for future growth."

"The driving factor in the macro environment after the virus itself is the balance of the FOMO (Fear Of Missing Out) versus FOGO (Fear Of Going Out) mindsets of consumers," says Hunter. "Those sectors that serve FOGO may be surprised at the pace of growth they see; the key is having the technological backbone to meet the moment."

Charles Meyers, President and CEO of Equinix Inc., which specializes in global data centers and colocation services, describes his company as the engine room of the digital economy. He sees the pandemic as strengthening the focus on digital transformation, with customers embracing cloud technology. He adds that in many cases, even the companies that have been hit hard by the pandemic came to view this time as an opportunity for them to improve their digital architectures so that they can come out stronger on the other side. "As digital was thrusting to the forefront of everybody's mind, the people that are in the engine room needed to be prepared to respond to that—and we were," he says.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

State of play:

CEOs navigating their business through the pandemic and beyond

“The long-term sustainability of businesses depends on the CEOs’ vision, their ability to make strategic decisions, and their comfort with high levels of ambiguity.”

Carl Carande
Vice Chair – Advisory, KPMG U.S.

CEOs are facing a tall order when navigating their companies through the pandemic and beyond. “The long-term sustainability of businesses depends on the CEOs’ vision, their ability to make strategic decisions, and their comfort with high levels of ambiguity,” says Carl Carande, Vice Chair for Advisory at KPMG U.S. “At the same time, they have to make sure that they can pivot based on changing facts and circumstances.”

Creating a strong strategy starts with a data-driven assessment of how the pandemic impacted a company and how to pivot to achieve the objectives of the target state, or the operating and business model best fit for achieving goals under future scenarios. Figuring out that target state can be a challenge, as 22% (the second biggest group) of CEOs point to the lack of insight into future operational scenarios as an obstacle to accelerating their digital transformations.

Carande believes that a methodical and data-driven strategic assessment can give CEOs 85% confidence in what their industry is going to look like post-pandemic, even with unknowns around the availability of a COVID-19 vaccine, when employees will feel comfortable about coming back to work and what the outcome of the presidential election will be.

Of course, the target states and strategies are going to be very different for different industries. For Vertiv, for example, which is a critical digital infrastructure provider serving the IT industry, the pandemic encouraged them to reevaluate how they approach technology and their supply chain.

“The pandemic has affected us in ways we never expected,” says CEO Rob Johnson. “It’s forced us to utilize digital tools more effectively and change our culture to where not everything needs to be done in person. The digital tools we’re all using today would have taken us years to adopt, but we were forced to accept them overnight, and are pleased at how well they’re working. In terms of supply chain,” he continues, “the pandemic has caused us to rethink some things. We’ve always had a basic strategy of manufacturing in region for region, and never has that strategy been more on the money. We continue to reinforce our commitment to that approach as a result of the pandemic.”

Iron Mountain, an information management service company, operates in a hybrid world of physical and digital document storage and retrieval. “The crisis gave us an opportunity to step back and say, how valuable is it to our customers today to receive a box of physical documents within 24 hours versus receive them in electronic forms?” says Iron Mountain’s President and CEO, William Meaney. “Digitizing retrieval allowed us to increase efficiency and provide a more valuable, modern service.”

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

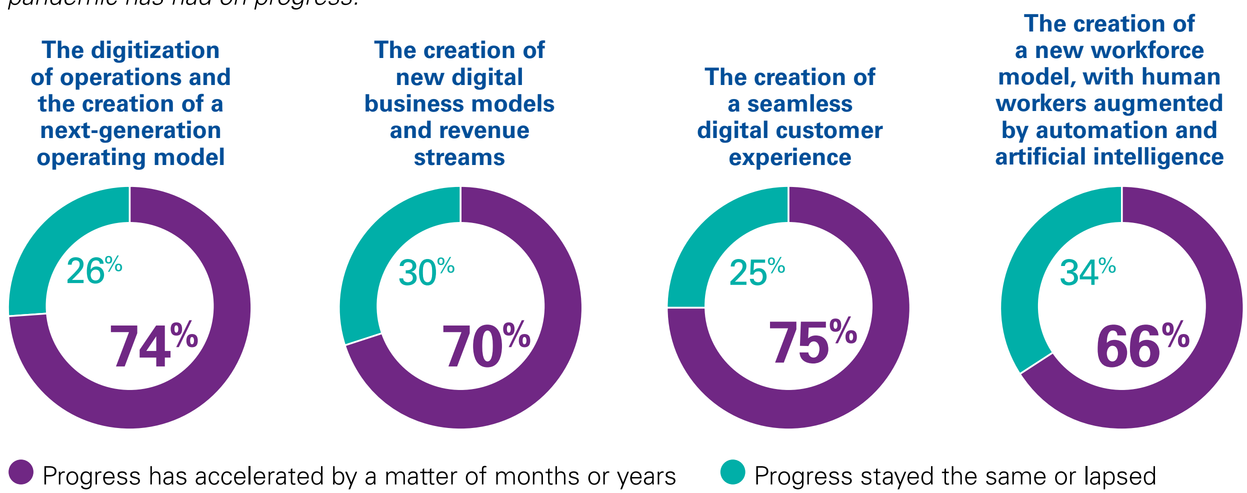
The pandemic forces digital acceleration

> The move to digitization has accelerated and the benefits will be permanent. There is no going back.
>
> **Carl Carande**
> Vice Chair – Advisory, KPMG U.S.

For a majority of U.S. CEOs, the pandemic has meant an acceleration in digital transformation by months or even years (Figure 2). "The move to digitization has accelerated and the benefits will be permanent," says KPMG's Carande. "There is no going back."

Figure 2: Impact of the pandemic on digital transformation progress

Across the following areas of enterprise digital transformation, please say what impact the pandemic has had on progress.



While better serving customers has been a top driver of digital transformation in the past, it often meant that companies had to be careful about how quickly they introduced new technology solutions and how advanced these solutions were. A significant fear is that not all customers would be able to adapt or be ready for change. At the beginning of the year, 67% of U.S. CEOs expressed concerns about migrating all of their business to the cloud. The pandemic, by forcing everybody to embrace digital technologies, has largely erased previous hesitation.

At Thomson Reuters Corp., digital transformation was already central to its growth strategy and operating model. But, as President and CEO Steve Hasker explains, shifts in customer attitudes and behaviors have accelerated its digital business model strategy. "With our customers, we've seen a major change in the acceptance of cloud-based, real-time, digitally delivered business information services," he says. "Any resistance in our clients' mindsets to moving to the cloud or the next generation of digital solutions has largely, if not entirely, evaporated. I think we've seen three to four years of progress in just three to four months, in terms of acceptance of what the new world needs to look like."

Jim Fish, President and CEO of Waste Management Inc. (WM), believes that accelerating efforts to transform the customer experience has been the biggest opportunity to emerge from the pandemic.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

"During the pandemic, it has become abundantly clear to us that our customer service digitalization (CSD) investment is unquestionably the right approach," says Fish. "Responding to our customers' needs, CSD packages Waste Management's technology and innovation while combining it with our data and analytics capabilities to seamlessly connect all the WM functions required to service our customers and differentiate the company."

Analog Devices Inc. (ADI) develops solutions that integrate hardware, software, data computing and artificial intelligence between the physical and digital worlds. "As the pace of innovation and degree of product development complexity increases for our customers, we need methods to bring our products to market that tame the inherent complexities," says Vincent Roche, ADI's President and CEO.

"We are continuing to invest in software tools to help both our customers and our workforce," Roche continues. "For customers, we are focused on creating an end-to-end digital customer experience where they can research, prototype and then deploy our products in an easier, faster and more efficient way. Internally, we are investing in centralized hardware and software platforms that enable us to balance the needs for innovation and execution."

For many companies, the accelerated demand for digital technology solutions has been a boon to their business, albeit under difficult circumstances. Companies have had to move more quickly than expected without all the necessary capital and human resources in place. The biggest group of CEOs (31%) found that the top challenge to accelerating digital transformation was difficulty making quick technology-related decisions (Figure 3).

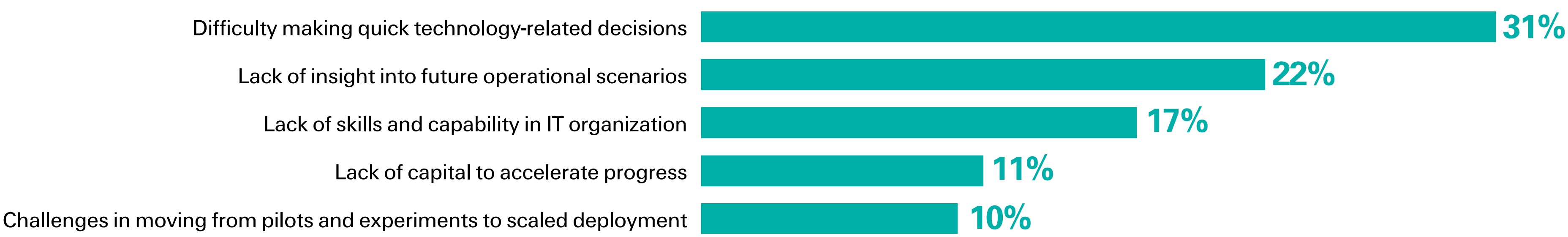
"These are large, expensive decisions that without the right information and the right experience in place can take your breath away," says Carande.

Other challenges include the lack of technology skills and capabilities, which demonstrate a great need to provide people with the right training to help with the transformation agenda

Carande stresses the importance of understanding the end goal of a digital transformation, ensuring change management and having a disciplined project management approach. He also points to the need for creating a connected ecosystem of front-end and back-office technologies, a historic challenge for many organizations.

"You need to make sure you have everyone on the same page as you're beginning to transform; you can't do it from the center," he says. "While the current digital transformations are moving much faster, they still need to be designed and implemented in a comprehensive and connected way."

Figure 3: Top challenges to digital acceleration



© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Workforce of the future

COVID-19 has put an enormous stress on the workforce, with employees working remotely and thus blending their personal and professional spaces together while also dealing with economic and health anxieties and addressing childcare and other family needs.

"Under these difficult conditions, companies need to care for and nurture talent," says Laura Newinski, Deputy Chair and Chief Operating Officer, KPMG U.S. "They can achieve that by maintaining a sharp focus on developing policies that support their people, like flexible work arrangements, and supplying technology solutions that allow people to connect with each other." The CEO Outlook survey reveals that CEOs recognize the need to adjust policies to accommodate employees (Figure 4).

Figure 4: Thinking about the impact that the pandemic has had on the world of work, please say whether you agree or disagree with the following statements.

(% of U.S. CEOs who agree)

Remote working has caused us to make significant changes to our policies to nurture our culture	78%
My communications with employees have improved during the crisis	77%
We will continue to build on our use of digital collaboration and communication tools	76%
Working remotely has widened our potential talent pool	72%
We will be downsizing office space	68%
We are now engaging more with the local communities where our work is based	49%

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

What will the workforce model of the future look like? "I think it will be somewhere in between the way we were pre-COVID and where we are today," says Chevron's Wirth. "Long term, people will miss the spontaneous innovation and creativity that comes with working together in person. But there will be a hybrid, more flexible model tailored to the individual type of work, the work group and the actual person."

Two-thirds of Chevron's employees currently work from home, while a third, the frontline workers on offshore oil rigs, ships and in the refineries, continue in the field. Wirth calls them "the unsung heroes of Chevron" who keep energy flowing into the economy to support vital goods and services.

For 84 Lumber, the pandemic has increased the need for employees. "84 Lumber is an essential business and rapidly expanding within new and existing markets. We are looking to increase our head count across the country. We are busy and we need people who are willing to roll up their sleeves, work hard and get the job done," says Knox. "If you are willing to put in the effort, we will train you, support you and give you what you need to be successful."

During the pandemic, talent risk has become a top concern when it comes to organizational growth (Figure 5). "It becomes an absolute imperative for the CEO to focus on the transformation of the workforce that is happening in organizations today," explains Newinski. She says that human resources and business leaders are key to keeping in touch with the workforce and understanding employees' issues and needs.

Newinski adds that the digital acceleration aimed at enabling the remote workforce is further exacerbating talent risk by causing even greater shortages of digital and change management professionals. She sees a big role for digital education and retraining to keep employees prepared for the new workforce model that lies ahead.

There have been some brighter points for today's new workforce models, with CEOs believing that their communications with their employees have improved (see Figure 4).

"Using digital tools, I firmly believe our communications have never been stronger at all levels of our company," says Vertiv's Johnson. "I would encourage other leaders to continue to find creative ways to connect online with their employees—from town halls to listening sessions to Q&As to informative videos. We used to think we had to do these things in person, but I believe we've adapted very well to meeting remotely. Our efforts have been very effective and, quite frankly, we've been able to connect more frequently using online tools."

Newinski believes communications strategies like these will usher in a new era. "The pandemic-era communication with the CEO has created an environment of trust and goodwill," she says. "We are facing very raw and important questions from the workforce, and employees are responding very well to hearing directly from leadership. There's no turning back. Employees are going to expect to hear what's happening at the top of the house. That's a permanent pivot to how CEOs are going to be talking to their people."

Figure 5: Aside from global health security/pandemic risk, which of the following risks poses the greatest threat to your organization's growth over the next 3 years? *(Top 3)*

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Culture and purpose are more important than ever

“CEOs need to make sure that during this difficult time they are more than ever sticking to their organizations’ values and purpose.”

Claudia Saran
Vice Chair – Culture, KPMG U.S.

Hardships test the character and resolve of individuals, and the same is true for companies. Given the anxiety and stressful conditions organizations are currently under, compounded by economic and competitive pressures, companies may be tempted to ignore or work around their cultures, values and purpose. Yet Claudia Saran, Vice Chair of Culture at KPMG U.S., says that’s the opposite of what CEOs need to do.

“CEOs need to make sure that during this difficult time they are more than ever sticking to their organizations’ values and purpose,” she says.

How honorably companies navigate their businesses through the pandemic will be, for a long time, etched into the minds of their employees, clients, communities and shareholders. According to our CEO survey fielded at the beginning of 2020, the biggest group of CEOs (25%) believed that connecting their brand with a compelling corporate purpose was the most important reputational factor for their organizations.

“Today, culture and purpose are more important than ever,” says Saran. “CEOs need to ask themselves: What do we want to be known for by our key stakeholders given all that’s going on? What are the key strengths of our organization culturally that should be really pronounced and evident at this time? And how are we going to hold on to them for competitive advantage in perpetuity?”

Waste Management took a principled approach to the pandemic. “We took steps to support our customers, particularly the small- and medium-sized businesses that have been impacted most adversely during the COVID-19 pandemic. We helped our customers right-size their service levels, temporarily paused price increases, extended payment terms and gave a free month of service to qualifying open-market small and medium business customers. While these actions had a short-term impact on our pricing metrics, we have strengthened our customer relationships and increased customer loyalty,” says Fish.

Chevron donated personal protective equipment (PPE) to health authorities around the world, making such items part of its response. “I’ve also been in more frequent contact with CEOs of other companies than I was prior to the pandemic,” says Wirth. “It’s been really inspiring to see people from different sectors of the economy—companies large and small—coming together to respond to the immediate needs in the very early days, to help inform government policymakers as things unfolded, to repurpose their supply chains to help with the response efforts, and to share lessons on how to keep our people safe and healthy. I’ve been incredibly inspired and humbled by the leadership I’ve seen from CEOs of other companies.”

Our survey reveals that purpose provides a clear framework for making quick and effective COVID-19-related decisions for a majority of U.S. CEOs (70%), but 77% have had to reevaluate their purpose as a result of the pandemic to better address the needs of their stakeholders (Figure 6).

Saran believes that it’s a good idea to take a step back and reevaluate the alignment of purpose and culture with stakeholders’ expectations. Equinix’s Meyers agrees with her wholeheartedly. “The emphasis on sustainability and the notion of stakeholder capitalism—ideas that were already on the minds of CEOs—are further fueled by the introspection that comes with the pandemic,” he says.

Analog Devices’ Roche ties purpose to innovation when he says: “It is our moral obligation to support the essential work of organizations making a difference and supporting those impacted by the virus. It is important to capitalize on the extra time we have these days for reflection so that we can create the right environment for true breakthroughs, otherwise known as ‘Isaac Newton moments,’ to occur.”

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

“It is important to capitalize on the extra time we have these days for reflection so that we can create the right environment for true breakthroughs, otherwise known as ‘Isaac Newton moments,’ to occur.”

Vincent Roche
President & CEO, Analog Devices

Saran further adds that the importance of values has risen in prominence since the beginning of the pandemic. “Companies want to know who they’re doing business with, and it helps to make sure that there’s some common ground in terms of organizational values,” she says.

One of the biggest challenges to sustaining a purpose-driven culture is the inherent lack of accountability and challenges surrounding culture “measurement.” Companies need to have concrete definitions of – and metrics for tracking – success, including the use of predictive analytics. It is best to have explicit leadership responsibility for that success as well. “Otherwise companies run the risk of having a lot of good ideas and occasional momentum,” says Saran, “but an inability to sustain that progress because they don’t understand the value they get from the continued focus on, and investment in, culture.”

Figure 6: To what extent do you agree with the following statements about the influence of purpose on crisis decision-making? *(% of U.S. CEOs who agree)*

I feel a stronger emotional connection to our purpose since the crisis began	81%
We have had to re-evaluate our purpose as a result of COVID-19 to better address the needs of our stakeholders	77%
Purpose provides a clear framework for making quick and effective COVID-19-related decisions	70%
Our purpose has helped us understand what we need to do to meet the needs of stakeholders—employees, communities, customers, partners and investors	68%
We are using our corporate purpose to help drive action in addressing the needs of our stakeholders	51%
Our purpose dictated our approach to our pandemic response with our stakeholders	51%

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

“We need to do more to make sure that our employees know we want to support them and their communities.”

William Meaney
President & CEO, Iron Mountain

“ESG strategy, including reporting of key metrics, needs more rigor to appropriately measure and communicate to stakeholders how companies are delivering long-term value.”

Scott Flynn
Vice Chair – Audit, KPMG U.S.

Business leaders also aim to strengthen their ESG agendas post-pandemic. Eighty-three percent of U.S. CEOs want to lock in the sustainability and climate change gains they have made as a result of the crisis. Additionally, 58% say that the pandemic has caused their focus to shift toward the social component of their ESG program.

“Analog Devices has long been focused on responsible sustainability efforts, but I believe the time has arrived where we not only prioritize sustainability, but also environmental regeneration,” says Roche. “This means our employees will focus on solutions to help restore and replenish natural resources and ecosystems, while reducing our own carbon footprint and the environmental impact of our operations. This focus must also extend to our partnership efforts with our customers, suppliers and NGOs to reduce the impact on our planet.”

The social component of ESG is also top of mind for the CEO of Iron Mountain. “We've always had a volunteerism program, but we want to make sure our employees are using it to its fullest,” says Meaney. “The murder of George Floyd was a wake-up call for all of us. One of many realizations we had is we are not sure we've done everything we could to encourage our people to support a cause they believe in. We are currently planning to show our support by creating opportunities that further foster volunteerism and community engagement.”

Verizon Communications' Chairman and CEO Hans Vestberg announced to his staff that the company was committing $10 million to organizations that are dedicated to racial equality and social justice. He believes that a strong stance is a moral imperative if you find something simply unacceptable. “We knew racial injustice was something we needed to talk about because we're not going to accept it,” Vestberg says. “We're really building diversity right here: Our customer base is diverse and our company is diverse.”

Not only is management focused on long-term value creation through ESG, but investors, customers and employees are demanding results that evidence it. “To address this demand, companies must adopt strategic, impactful and measurable ESG policies supported by information beyond industry and SEC requirements,” says Scott Flynn, Vice Chair of Audit at KPMG U.S.

“ESG strategy, including reporting of key metrics, needs more rigor to appropriately measure and communicate to stakeholders how companies are delivering long-term value,” Flynn explains. “Strategic and effective engagement with ESG priorities is a business imperative. The stakes are real for many companies as society struggles with issues of climate change, racial equity and justice.”

As Flynn adds, rigorous ESG reporting helps companies:

- Understand and address risks that threaten profitability
- Attract a new investor base while meeting the increasingly stringent requirements of institutional investors
- Access capital
- Compete for top talent
- Grow and build the loyalty of their customer base.

Assurance of ESG reporting sets expectations for stakeholders and allows management and investors to track progress over time by ensuring the accountability and reliability of the information used to measure the efficacy of the initiatives.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

Conclusion

U.S. CEOs have built strong foundations for their companies to emerge from the pandemic stronger than before. To make sure that their efforts and hard work continue to have an impact, CEOs will need to stay personally focused on technology, workforce and culture.

Technology

The pandemic-triggered move to digitization has accelerated, putting many companies years ahead of where they expected to be earlier this year. The key moving forward will be to make sure that the benefits of these accelerations remain permanent. This will require understanding the end goals of digital transformation, effective change management and a disciplined approach to project implementation.

Workforce

COVID-19 has put an enormous stress on the workforce. Under these difficult conditions, companies need to care for and nurture talent by developing policies that support their people, such as flexible work arrangements, and by supplying technology solutions that allow employees to connect with one another. As we move forward, employees are increasingly going to expect to know what's happening at their firms and be in regular communication with their CEO.

Culture and purpose

Despite the anxiety and stressful conditions confronting organizations, CEOs need to ensure that during this difficult time they stick to their organizations' values and purpose. How honorably companies navigate their business through this pandemic will be etched into the minds of their employees, clients, communities and shareholders. The culture CEOs build now will determine the strength of their brand in the future.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

Methodology and acknowledgments

Methodology

Results in this report are based on two surveys of CEOs conducted in 2020. The first survey, conducted in January 2020, surveyed 1,251 CEOs globally, including 400 CEOs from the United States, about their outlook for the next few years. The second survey, conducted in July and August 2020, surveyed 315 CEOs globally, including 100 CEOs from the United States, about the challenges and opportunities facing their business in light of the COVID-19 pandemic.

All CEOs in both surveys came from companies with annual revenues of $500 million or more and represented major industries, including retail, financial services, life sciences, energy, technology and manufacturing.

Acknowledgments

KPMG and Forbes Insights would like to thank the following individuals for their time and expertise.

– James Fish, President & CEO, Waste Management Inc.

– Steve Hasker, President & CEO, Thomson Reuters Corp.

– Rob Johnson, CEO, Vertiv

– Maggie Hardy Knox, President, 84 Lumber

– William Meaney, President & CEO, Iron Mountain

– Charles Meyers, President & CEO, Equinix Inc.

– Vincent Roche, President & CEO, Analog Devices Inc.

– Hans Vestberg, Chairman & CEO, Verizon Communications Inc.

– Michael Wirth, Chairman of the Board & CEO, Chevron Corp.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

read.kpmg.us/ceo-outlook

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.