

## **South African CEO business confidence back to pre-pandemic levels, KPMG survey says**

*Aggressive M&A plans underway to capture market opportunities*

**SOUTH AFRICA, 05 October, 2021** — CEOs of the world's largest businesses are increasingly optimistic about the outlook for their own business and despite the Delta variant slowing down the 'return to normal', their confidence in both the global and local economy has returned to levels not seen since the start of the pandemic. KPMG South Africa's 2021 CEO Outlook, in partnership with Business Leadership South Africa (BLSA), is an extension of the 2021 Global survey and draws on the perspectives of 50 CEOs across 10 industries. Reflecting on their strategies and outlook over a 3-year horizon, it highlighted that 70% of leaders are confident about the local economy's growth prospects over the next 3 years.

Higher economic growth will only be achieved however, if a specific growth mandate is pursued. The local economy is forecast as modest to 2% in 2022 and with the prospect of a stronger global economy, CEOs are looking to invest in expansion and business transformation. In fact, the survey reveals that 62% of senior executives are identifying inorganic methods (e.g. joint ventures, M&As and strategic alliances) as their organisation's main strategy to support their growth. A majority (88%) of local leaders stated that they expect aggressive growth and are looking to make acquisitions in the next 3 years to facilitate this and transform their businesses, closely aligned to the global average of 87%.

Since 2020 however, two key risks have moved up the agenda including supply chain risk with a 10% increase year on year, and tax risks where 75% of CEOs believe that the pressure on public finances has increased the urgency for multilateral cooperation on the global tax system.

### **Road to renewal**

"Despite the risks, there is a clear road to renewal theme emerging this year and no doubt, South African CEOs are both optimistic about growth and are placing a specific emphasis on leading with purpose and digitally transforming their businesses while upskilling an agile workforce," says Ignatius Sehooole, CEO at KPMG South Africa.

More than half (55%) of CEOs surveyed, have indicated that organisational purpose will have a profound impact on business – driving performance, shareholder returns and strengthening employee engagement.

"However, while we drive growth, we also face a tough task – leading companies in a time of continued uncertainty where markets and forecasts are dynamic in nature. The main threats to business identified in the survey not surprisingly then, include supply chain, operational concerns and cyber security; followed by climate change, regulatory and emerging/disruptive technology risks," says Busi Mavuso, CEO at BLSA.

### **Digital agility & workplace flexibility**

Despite the risk, research shows that CEOs are embracing the need to push the boundaries of their business with quicker shifts in digital transformation strategies and investments a priority. 74% have indicated that technological disruption is more of an opportunity than a threat. Not only are 58% well prepared for future cyber-attacks, but many (54%) are shifting toward a cloud-first mindset and aiming to partner with a third-party cloud technology partner in the next 3 years. Similarly, 70% are placing more capital investment into buying new technologies in pursuit of their growth objectives.

“We are seeing a major shift in digital agility, where CEOs are strengthening their organisations’ digital advantage by building a more flexible workforce and no doubt, this shift will positively impact not only the business, but certainly the workforces of the future,” continues Sehoole.

“In fact, 58% of CEOs believe that the top key success factor to ensuring employees are engaged, motivated and productive in the hybrid work model is investing in digital training, development and upskilling them to be future-ready and so no doubt technology agility and development remains key,” states Sehoole.

### **Leading with purpose**

There is no doubt that stakeholder expectations of businesses have risen where the actions of organisations and their leaders are under increasing scrutiny with pressure to demonstrate trust, transparency and purpose. So, while employee-first commitment emerges, CEOs are also looking to embed ESG more strongly into their strategies.

“80% recognise that large corporations have the resources to help governments find solutions to pressing global challenges and so this becomes a business-critical consideration,” continues Sehoole.

There is a major shift to the S in ESG with 81% of CEOs saying they have shifted their focus into this space and 71% committing to personally driving this agenda. On the other hand, results indicate that 30% are planning to invest 10% or more of revenue into the E of ESG, but indicating that (68%) government stimulus is required to turbocharge climate investments being made by the business community.

“It is certain that today’s connected CEOs are those that can deliver on a trusted purpose by responding to increased societal expectations while driving sustainable business performance through digital innovation. Neither can be done in a vacuum, as three-quarters (75%) of global CEOs say that their digital and ESG investments are inextricably linked,” says Sehoole.

“The overall positive tone of South African CEOs and the major strides in key areas to grow both their own businesses, as well as the local economy, is refreshing. They are not only ready to shift to new ways of working and empowering their employees, such as focusing on culture and policies for a better work/life balance (70%) but, are addressing key risks and leveraging digital and ESG opportunities to move business forward,” says Mavuso.

“CEOs acknowledge the need to be connected— being plugged-in, people-first and purpose-led — embracing the challenges of building a resilient organisation. We have seen in the survey that delivering on their purpose and strategic goals remains a key mandate over the next three years, with workforce management being integral to sustainability. In fact, so much so that 100% of annual bonuses are linked to ESG performance, with a core focus on stabilising business and creating a diverse workforce – the businesses of the future!” concludes Sehoole.