Africa CEO Outlook Report 2024

More than 130 CEOs in Africa share their views on geopolitics, return-to-office, ESG and generative AI.

Foreword

“The last ten years has been framed by a backdrop of volatility and change, from a global pandemic to surging inflation and the rise of AI. In the face of such pressures, CEOs are steadfast about the need to invest in the future.

Turbulence calls for leaders to be more resilient, agile and innovative than ever before. As we look ahead to the next ten years, CEOs who set bold strategies to adapt to our fast-changing world and invest in the right technologies and talent to make their plans a reality, can deliver sustainable, long-term growth.”

Bill Thomas
Global Chairman and CEO, KPMG International

As we celebrate the 10th year of KPMG’s Global CEO Outlook, I am excited to introduce the inaugural Africa CEO Outlook edition. For the first time, we’ve engaged with over 130 CEOs and business leaders across Southern, East, and West Africa to gain insights into the region’s dynamic business environment.

Our commitment to Africa remains strong as the continent presents numerous growth opportunities in the business environment. Insights from our CEOs highlight both the opportunities and challenges their organisations face. These insights explore important areas such as how businesses have evolved to navigate the shifting landscape while managing complex economic and geopolitical challenges.

This year, we place a particular focus on geopolitics, given the recent surge in political tensions over the past year, which has impacted the economic side of business. Despite these challenges, the report confirms that African CEOs can unlock opportunities through effective geopolitical risk management, which is crucial for boosting Africa’s economy.

This leads to further exploration of the economic impact resulting from the challenges identified by the CEOs. While examining the continent's economic outlook, the results show a parallel trend. This highlights the resilience needed to build and grow a successful business through turbulent times, with a focus on technology and generative Artificial Intelligence (AI), ESG, and evolving talent. This serves as a testament to the integral role these areas have played in shaping the business environment in Africa, both now and into the future.

The emergence of Technology and generative AI has created growth opportunities, as the survey reveals a consensus among CEOs on the importance of applying the correct strategies.

With the evolving workforce dynamics across the African continent, people-related issues remain a key focus for leaders. CEOs have identified an interesting link between skills, technology, and the reality of ageism, all while navigating a changing environment.

Global warming has led to significant environmental changes, prompting a vigorous dialogue on ESG and making it a top priority. In this survey, African CEOs share their views on the opportunities and risks of ESG, emphasizing its critical role in business strategies.

Insights from these business leaders are paramount because of how the world has evolved over the past decade. We are just as pleased to see that independent business organizations echo and are as supportive of the views from business leaders, for positive change to be seen in big business.

As KPMG in Africa, we are proud to work closely with the voice of business in different sectors to share these insights with you.

Ignatius Sehoole
Africa Chairman and CEO, KPMG in Africa

Geopolitics

Our data reveals the scale of change and uncertainty facing CEOs over the last decade and this year's findings are no different. While geopolitics and political uncertainty are not business leaders' number one threat to growth, they remain a significant concerns and it's easy to see the links between geopolitics and the other top identified threats of economic decoupling, supply chain issues and cyber security.

Geopolitical competition remains broadly inflationary and can cause disruptions to supply chains, trade and investment because it shifts the focus of investment from efficiency to resilience:

- Global trade and investment patterns are shifting. The future of supply chains and economic integration are becoming more dependent on national security priorities and increased policy interventions.
- Conflict escalation is now the norm, as historical collective security arrangements have been disrupted by a lack of global leadership.
- Also, the global regulatory environment for emerging technology is growing more complex and fragmented, meaning businesses will have to spend more time, money and effort steering their companies through uncharted waters.

What is reassuring is the sense of resilience and continued long-term optimism within the C Suite. CEOs are telling us that, despite the myriad of challenges and risks they face, they're determined to get back on the path to long-term, sustainable growth.

For political leaders, it's an opportunity to reengage with the business community and ensure that there's a renewed effort on collaboration and international trade."

The issues that are keeping African CEOs up at night reflect their role in stimulating confidence through growth that delivers for all stakeholders, as today's leaders are required to juggle risks ranging from geopolitics and supply chain disruptions to cybersecurity, inflation and rapid technological change.

African CEOs seek to create confidence in several ways, notably increasing investment in innovation and tech, placing people at the heart of growth strategies, and renewing their commitment to ESG and sustainability as a source of value creation. For several decades, businesses reacted to geopolitical changes instead of actively anticipating them. As geopolitical turbulence grows and alliances shift, African CEOs need to anticipate and respond proactively, rather than reactively, to geopolitical events.

Stefano Moritsch
Global Geopolitics Lead
KPMG International

African CEOs can unlock opportunities through geopolitical risk management

Shifting geopolitics not only engender higher risk, but a world in transition can also bring new opportunities to those who can stay ahead of the geopolitical game.

Africa has significant opportunities ahead that, if leveraged, could foster significant regional and global growth. For example, the African Continental Free Trade Area (AfCFTA) is set to transform regional markets and economies, potentially lifting 30 million people out of extreme poverty by 2035.** Its success depends on substantial policy reforms and trade facilitation measures. Additionally, Africa's favorable demographic outlook predicts an addition of 796 million people to the global workforce by 2050, making it home to the largest and youngest population.***

Resource-rich economies in Africa are expected to maintain strong export performance due to high demand and prices for hydrocarbons, mining commodities and critical minerals, amid a global restructuring of energy markets and growing needs for clean energy supply chains. Furthermore, ongoing disruptions in the Red Sea are causing shipping operations to reroute, benefiting South African and West African ports with increased toll revenue.

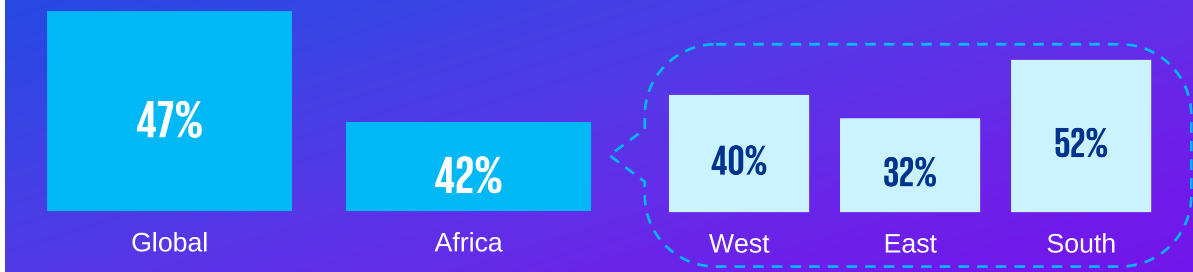
As African CEOs think about geopolitics and political uncertainty as significant threats to long-term growth, they will have to adopt new corporate approaches to understand and manage the complex interplay of geopolitics, operational issues, cybersecurity and supply chain risks Geopolitical tensions exacerbate cybersecurity risks, with state-sponsored attacks and regulatory pressures challenging organizational resilience. Furthermore, economic fragmentation often stems from increased geopolitical competition amid major powers, leading to pricing pressures and supply chain disruptions. Operational issues, too, are frequently driven by geopolitical conflict, which can in turn affect regulatory environments and market access.

By proactively addressing the challenges posed by geopolitical tensions, CEOs can build more resilient and adaptive organizations capable of thriving in an uncertain world. This necessitates proactive measures to maintain operational resilience and continuity. Companies are increasingly integrating geopolitical risk assessments into their strategic planning, using stress tests to evaluate different risk scenarios. They emphasize clear oversight and accountability for specific risks among executives, alongside regular updates on risk management and crisis readiness. Inclusion of diverse geopolitical experiences and specialized forecasting capabilities is essential. Lastly, they are mapping significant trends to key business functions, establishing monitoring frameworks, and preparing mitigation strategies.****

** *The African Continental Free Trade Area (worldbank.org)*
*** *https://www.weforum.org/agenda/2023/07/why-africa-will-become-a-prominent-player-in-global-geopolitics/*
**** *Top risks forecast (kpmg.com)*

African CEOs have identified operational risk as their primary concern affecting their business growth, closely followed by cybersecurity threats for the next three years. They consider economic decoupling between countries and the resulting pricing pressures as the next big threat to the organization followed by supply chain risks. While geopolitics and political uncertainty are not the number one threat to growth, they remain significant concerns and it's easy to see the links between geopolitics and the other top identified threats of supply chain issues and cyber security.

42% of African CEOs believe geopolitical complexities represent a top of mind challenge they need to address.



Geopolitical tensions in recent years, including conflicts and trade disputes, have caused global economic volatility, disrupting trade and energy markets. Fracturing relations between states are also driving major supply chain headaches for CEOs, and have put upward pressure ion inflation, food and energy insecurity all over the world, as well as in many African countries.

A tense global geopolitical environment also increases regulatory uncertainty. Regulation in some African markets can thus become more complex, costly, and inconsistent, creating significant hurdles for firms. Entrepreneurs and investors seek standardized, transparent processes, but face evolving and ambiguous frameworks that vary widely across regions and neighbouring countries, in line with a global trend towards less cooperation and more fragmentation of regulatory, trade and supply chain regimes.

The Horn of Africa's strategic maritime location continues to attract geopolitical competition from Western, Gulf Arab, and Chinese countries all vying for influence and strategic opportunities. While this competition can spur significant investment in the continent, it can also exacerbate regional tensions, hindering integration efforts. For instance, geopolitical competition is affecting some areas of the Sahel region which faces compounded challenges from conflict to power vacuum, leading to poverty, displacement, food insecurity, and governance disruptions, which deter investment and fuel armed group competition, creating a cycle detrimental to development.

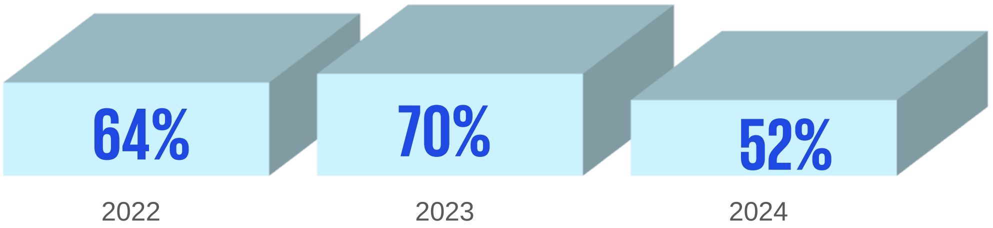
The African Development Bank notes that Africa's economic growth fell to 3.2% in 2023 from 4.1% in 2022, primarily due to uncertain global geopolitics, trade disruptions, and fluctuating commodity prices. Promisingly, growth is projected to rebound to 3.7% in 2024 and 4.3% in 2025, driven by improvements in global economic conditions.*

** https://www.afdb.org/en/knowledge/publications/african-economic-outlook*

Economic Outlook – Southern Africa

Southern African CEO confidence in the global economy has waned in 2024, reflecting the growing complexities of the environment they face. While confidence increased from 64 percent of CEOs being optimistic about the global economy in 2022 to 70 percent in 2023, only 52 percent of CEOs have confidence in the economy in 2024.

CEO confidence in the global economy (2022-2024)



The growing complexity and variety of demands of leading a large organization are being felt keenly by Southern African CEOs, with 77 percent confessing they feel under more pressure to ensure the long-term prosperity of their business.

This additional pressure felt by CEOs could be attributed to an evolving list of threats to business growth with this year's survey showing that Southern African CEOs are the most concerned about the impact of economic decoupling between countries which may lead to pricing pressures over the next three years, followed by cyber security and emerging or disruptive technologies. These changes in priority have relegated 2023's most prominent risk, geopolitics and political uncertainty, to a joint seventh threat to growth.

Three years of survey data on Southern Africa indicate how leaders have sought to create confidence in business growth, from increased investment in managing the stability of their costs, to placing a fresh focus on the origination and consistency of their inputs. Looking more closely at the next three years, respondents identified their top operational priorities as inflation proofing capital and input costs (22 percent), focusing on organic growth (15 percent), and reconfiguring their supply chains to provide greater resilience, transparency and more consistent access to needed suppliers (15 percent). By managing the input cost and supply elements of their business, Southern African CEOs not only address their immediate operational needs but also position their organizations for sustainable, organic growth.

Top operational priorities

Frank Blackmore
Lead Economist.
Financial Risk Management.

Economic Outlook – East Africa

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

48% of East Africa's CEOs have stipulated that they have a positive outlook regarding the growth prospects in the economy over the next 3 years given the substantive investments expected in the infrastructure and energy projects.

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

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

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

CEOs remain confident in growth prospects of the company, however identifying risks and opportunities will be crucial in determining the growth of businesses.

East Africa CEOs confidence in the growth prospects of

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

How CEOs currently feel in their role

72%	28%
Feel more under pressure to ensure long-term prosperity of the business	Less pressure to ensure long-term prosperity of the business

Economic Outlook – West Africa

In the constantly evolving economic landscape of West Africa, CEOs are navigating a delicate balance between cautious optimism and mounting challenges as they steer their companies through uncertain times in their business and economic environment. 63% of West African CEOs in 2024 are optimistic about global economic growth over the next three years, a decrease from 73% last year. Confidence in their own country's economic outlook has also taken a hit, with 60% of West African CEOs feeling positive, compared to 73% in 2023. These have impacted the confidence of the CEOs in the growth prospects for their companies. 60% remain confident about their organization's prospects, down from 73% last year.

63%

73% in 2023

West African CEOs in 2024 are optimistic about global economic growth over the next three years.

60%

73% in 2023

West African CEOs are confident in their own country's economic outlook.

While West African CEOs maintain a level of optimism about the growth prospects for their companies and the economy, they see significant challenges and risks to growth coming from all directions. Economic uncertainty continues to impact strategy and dominate the minds of West African CEOs, with 57% identifying it as their top concern. Disruptive technology including navigating technological shifts - particularly the integration of generative AI (43%), geopolitical complexities (40%), and competition for talent (33%) are adding to the volatility and challenges of navigating long term structural change. These challenges are putting added pressure on West African leaders, with 77% admitting they feel the weight of responsibility to ensure the long-term survival and prosperity of their organizations. This percentage is higher than that of CEOs globally (75%) and from an African perspective (72%) who reported feeling similar pressure in their role.

The increased pressure on West African CEOs may be linked to a shifting range of threats to their companies' growth. Operational risks are cited by 33% of West African CEOs as the biggest threat to the growth of their organizations over the next three years, marking a shift from 2023 where geopolitical risks were the top concern. It is crucial to identify these operational risks, which may arise from an organizations' people, systems and processes to ensure they can be effectively managed.

Cybersecurity also remains a significant concern as businesses become more digitally connected and vulnerable to attacks, partly due to the growing threats presented by AI. West African CEOs also recognize political uncertainty, regulatory challenges, economic decoupling, and inflationary pressures across markets as other key threats to their organization's growth.

Despite these challenges and threats, many West African CEOs have raised their expectations for earnings growth. A majority (53%) now anticipate earnings to grow between 2.5% to 4.99% over the next three years, up from 33% in 2023. However, due to these same challenges and threats, headcount growth is projected to be modest in the next three years, with 53% of CEOs planning to increase their workforce by up to 5%, a significant drop from 73% in 2023.

> "Operational risks are cited by 33% of West African CEOs as the biggest threat to the growth of their organizations over the next three years, marking a shift from 2023 where geopolitical risks were the top concern."

Economic Outlook – West Africa (cont.)

West Africa CEOs are prioritising organic growth amid declining M&A interest

Furthermore, these challenges have led to a decline in interest in mergers and acquisitions (M&A). Only 57% of West African CEOs now express interest in pursuing acquisitions with a moderate impact to their organizations, and 27% foresee undertaking acquisitions that will make a significant impact to their organizations, down from 60% and 37%, respectively, last year.

In response to these interrelated challenges, seven out of ten West African CEOs have already adapted their growth strategies to mitigate effects of any likely challenges and threats such as economic uncertainty, AI and operational risks. Compared to their African and global counterparts, West African CEOs display a cautious interest in mergers and acquisitions (M&A), seeing them as part of a broader strategy but not a primary focus for driving growth.

57% will make an acquisition that will have a moderate impact

27% will likely undertake an acquisition that will have a significant impact

70% of West African CEOs have a plan to mitigate interrelated challenges

Instead their primary strategy over the next three years will focus on organic growth complemented by forming strategic alliances with third parties as key drivers for growth. This emphasis on organic growth suggests West African leaders are exploring ways to optimize processes, allocate resources efficiently and introduce new products to the market. Additionally, Generative AI is increasingly viewed as a transformative tool for business advancement.

30%	Organic Growth
27%	Strategic alliances with third parties
17%	Generative AI
7%	M & A

Economic Outlook – West Africa (cont.)

87%

87% of West African CEOs agreed that Trade regulation will negatively impact their organisations in the next three years considering the complex regulatory environment in the region.

67%

Regulatory demands also weigh heavily on business leaders, with 67% recognizing these as a potential risk.

67%

67% see cybercrime and insecurity as threats, while 63% express concern over political polarization.

53% & 40%

53% and 40% of CEOs further recognise climate inaction and supply chain disruptions, respectively as notable threats.

50%

The rising cost of living is another pressing issue, with 50% considering it a threat to their business operations.

57%

Talent retention continues to be a challenge, with 57% of CEOs citing shortages as a concern.

West African CEOs are focusing on agility and resilience, adjusting their business strategies to capitalize on emerging opportunities while mitigating the earlier discussed risks that will negatively impact their organizations. A key strategy for West African CEOs over the next three years will be to focus on activities that hedge capital and input costs against inflation. Their second top priority is to understand and implement generative AI across their businesses including upskilling of workforce and streamlining processes. Additionally, improving customer experience was highlighted as a top operational priority that will drive their growth objectives.

This year's survey shows that economic uncertainty, disruptive technologies and operational risks are of top concern to CEOs in the region. As the landscape evolves rapidly, CEOs need to adopt a more strategic approach to navigate these challenges.

Successful West African CEOs will be those who embrace strategies like scenario-based planning, staying agile and flexible, and building resilience through diversification. West African CEOs should consider adopting a more deliberate approach to technology investments, particularly in generative AI, alongside organic growth strategies. Additionally, CEOs need to focus on mitigating operational talent. Prioritizing staff retention through incentives and fostering a culture that values agility will be crucial for sustained success in this challenging environment.

Technology and generative AI

For many CEOs across Africa, ensuring AI is implemented ethically is a paramount priority

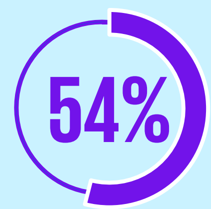
As worries mount over the ethical deployment of AI, African CEOs are becoming acutely aware of the hazards linked to its swift integration. A substantial majority—77 percent—highlight ethical dilemmas as some of the toughest challenges in adopting AI within their enterprises, up from 57 percent in 2023. Moreover, issues like inadequate technical proficiency (60 percent) and a regulatory void (56 percent) add layers of complexity. Interestingly, job redundancy isn't a primary concern for most CEOs when it comes to implementing generative AI, which is rather noteworthy.

Clear business case for investing in generative AI

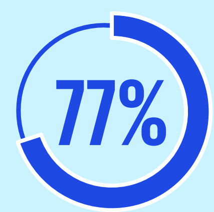
CEOs throughout Africa are firmly persuaded by the advantages of Generative AI, with most concurring that it deserves top investment priority. On average, 54% of African CEOs are backing substantial investments in Generative AI as a strategy to cope with volatile economic trends. This sentiment is echoed globally, where over 65% of CEOs express readiness to invest in AI regardless of the economic climate in 2024.

Throughout Africa, CEOs highlighted enhanced profitability, heightened innovation, and a richer diversity of skills and talents as the leading advantages they foresee from adopting AI. On the global stage, however, CEOs are primarily embracing AI to drive greater efficiency and productivity, alongside preparing their workforce for future challenges and revolutionizing innovation across their value chains.

Although the drive to adopt generative AI is a priority concern for many CEOs worldwide (50%), it's noteworthy that personalized services aimed at enhancing customer engagement were among the least valued benefits (only 7%) out of ten cited advantages. Additionally, it is interesting that no CEOs in Africa identified job creation as one of their primary expected benefits from implementing generative AI.



African CEOs are backing substantial investments in Generative AI as a strategy to cope with volatile economic trends



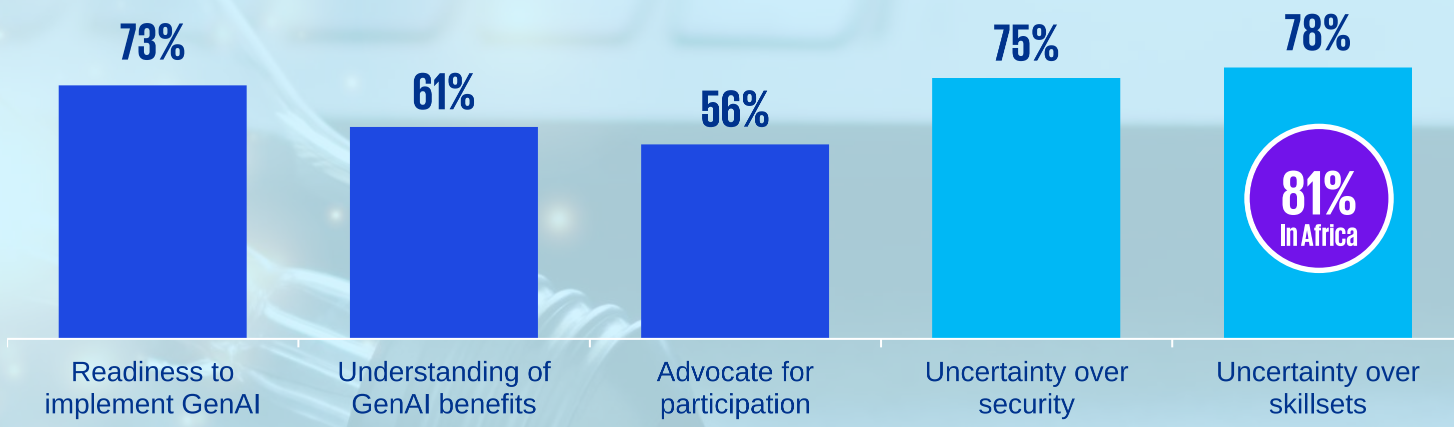
highlight ethical dilemmas as some of the toughest challenges in adopting AI within their enterprises

Martin Kimani
Associate Director, Technology and Innovation and Head of AI, East Africa

Approach and readiness to deploying AI

CEOs hold diverse opinions about the readiness for effectively deploying generative AI. A significant majority (73 percent) think their leadership team understands how generative AI will shake up existing business models and forge new pathways. Meanwhile, over 61 percent have a clear sense of how this technology will benefit their organization and provide a competitive edge. Over half (56 percent) stressed that experimentation is vital for truly unlocking the power of generative AI, advocating for all employees to participate, regardless of their background or seniority. However, many CEOs pointed out areas of uncertainty on the road to AI integration: over 75 percent are not confident about having data prepared for the safe and effective use of generative AI, and 78 percent doubt whether their workforce possesses the right skills to maximize the benefits of this advanced technology.

A vast majority of CEO’s hold diverse opinions about the readiness for effectively deploying generative AI

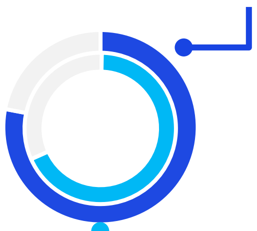


CEOs in Africa have highlighted that a significant barrier to harnessing AI's potential is the lack of AI skills. Notably, 81 percent of CEOs in Africa (versus 76% globally) believe that Generative AI won't drastically affect job numbers but will necessitate workforce upskilling and resource reallocation. Interestingly, fewer than one in four CEOs worldwide, as well as in Africa, think Generative AI will either generate more jobs than it cuts or cut more jobs than it generates over the next three years.

There are clear use cases for Generative AI investment in the next three years across the value chain

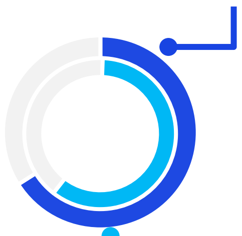
As CEOs navigate the intricate dance between the perks and pitfalls of Generative AI in the next three years, distinct use cases are unfolding throughout the value chain. Leading the charge is the ICT function, where 78 percent of CEOs in Africa recognize its potential (compared to 68 percent globally). Hot on its heels, sales and marketing see a significant impact, with 66 percent of African CEOs and 60 percent of their global counterparts noting AI's prowess in evaluating sales campaign success and crafting personalized close plans tailored to specific customer journeys. Confidence in applying Generative AI extends to finance and accounting too, where 63 percent of African CEOs express optimism (higher than the global average of 50 percent).

78%
ICT CEOs in Africa recognise potential



(vs **68%** globally)

66%
Sales & Marketing CEOs in Africa recognise potential

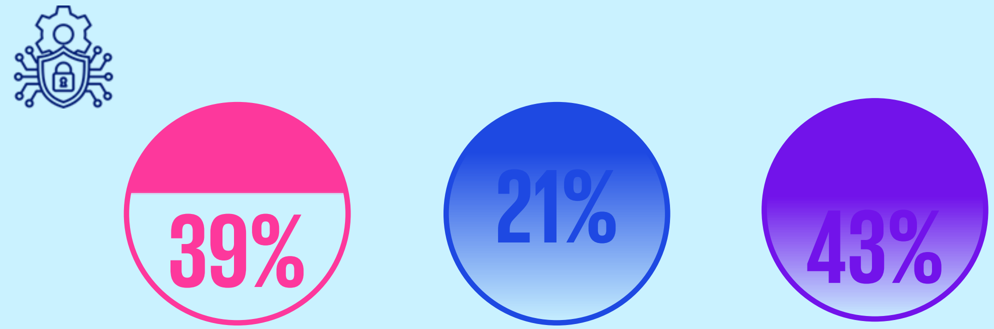


(vs **60%** globally)

63%
Finance & Accounting CEOs in Africa recognise potential

(vs **50%** **globally)**

However, when it comes to legal, compliance, and human resources, enthusiasm for heavy investment in Generative AI wanes, with both domains reporting investment interests below 10 percent among CEOs in Africa and globally. This hesitance likely stems from the heightened privacy and ethical considerations that loom large over these functions.



readiness for impending cyber-attacks

trust their cybersecurity measures

believe they have adequate cybersecurity solutions

As Generative AI continues to evolve, most CEOs are increasingly worried about cybersecurity and preparedness strategies

The ever-shifting cyber landscape continues to present a significant challenge for many CEOs, both in Africa and around the world. African CEOs are notably less optimistic about their company's readiness for impending cyber-attacks, with only 39% feeling prepared compared to 48% globally. When it comes to cyber threats stemming from Generative AI, a mere 21% of African CEOs trust that their cybersecurity measures can keep pace with the swift advances in AI—contrasted with 55% of their global peers. Additionally, just 43% in Africa believe they have access to adequate cybersecurity talent and solutions to combat AI-specific threats, compared to 59% worldwide.

Despite these concerns, it's heartening to see that many CEOs are actively working to bridge the skills and cultural gaps. A promising 61% of African CEOs (versus 73% globally) are ramping up their investments in cybersecurity to safeguard operations and intellectual property against AI risks. Furthermore, 51% of African leaders (compared to 74% globally) affirm that fostering a cybersecurity-centric culture is crucial to how they incorporate AI into their businesses.

Talent

Evolving Workforce Dynamics

In context of geopolitical complexities, economic uncertainties and growth prospects for organisations, CEO's in Africa rank competition for talent amongst their top 5 priorities, perhaps noting the risk of losing talent to immigration, as highlighted with 39% of African CEO's being concerned about talent risk versus 27% globally.

This is particularly pronounced in East Africa with this challenge concerning almost half of the East African CEO's. With 56% of African CEO's agreeing that talent will negatively impact their organization's prosperity in the next three years. African CEO's view talent among the top threats for their organisations in the next three years is at least double (4%) of that of their global counterparts (2%).

CEO's in Africa are more concerned about competition for talent, perhaps noting the risk of losing talent to immigration, as highlighted with 39% of African CEO's being concerned about talent risk versus 27% globally. This is particularly pronounced in East Africa with this challenge concerning almost half of the East African CEO's.

African CEO's view on talent

56% — CEO's in Africa agreeing that talent will negatively impact their organization's prosperity in the next three years

…concerned about talent risk (vs 27% globally) — 39%

63% — …believe in investing in skills development and lifelong learning in the communities in which they operate (vs 80% globally)

…less concerned about an aging workforce and the impact thereof on talent acquisition, talent rétention and culture (vs 23% globally) — 11%

Skills Development

To safeguard future talent 80% of global CEO's believe in investing in skills development and lifelong learning in the communities in which they operate as oppose to 63% of African CEO's. This is consistent with capital investment towards buying and implementing new technologies (69%) are prioritized in relation to the capital investment in skills development (31%). Furthermore, given the demographic of the African populations, CEO's in Africa (11%) is less concerned about an aging workforce and the impact thereof on talent acquisition, talent retention and culture in contrast to global CEO's (23%) that views this as a real organisational threat. The largest impact in this context for African CEO's is the transfer of knowledge and skills employees which is consistent with global benchmarks.

Dr. Candice Hartley
Head of People, KPMG Africa

Capital Investment

Both African CEO's and Global CEO's are placing more investment in buying new technology rather than developing workforce skills. African CEO's are slightly more aggressive in this approach with 61% of CEO's in Africa investing more in technology in comparison with 59% of Global CEO's.

There are interesting views on the adoption of generative AI. 25% of African CEO's are confident in their employee's skills to leverage the benefits of generative AI (vs 38% Globally), which is also reflected in how African CEO's view employee understanding and adoption of AI as a challenge to their business (46% of African CEO's rate this will be a challenge in comparison to 35% of Global CEO's seeing this challenging). This view in part driven by the adoption element, 19% of African CEO's view job redundancy as a challenge due to AI versus 31% of Global CEO's

25%	African CEO's are confident in their employee's skills to leverage the benefits of generative AI	vs 38% Globally
46%	African CEO's rate employee understanding and adoption of AI will be a challenge	vs 35% Globally
19%	African CEO's view job redundancy as a challenge due to AI	vs 31% Globally

Return to Work

Globally, 83% of CEO's envision a full return to office for employees. This statistic is more pronounced in Africa where 86% of CEO's in Africa foresee a full return to office for employees and mirrors the view of 85% of Southern African CEO's. This reflects opposite views to employees who often cite flexibility as an important factor in their choice of employment.

Although African CEO's envision more office-based employees, they are less likely than Global CEO's to incentivise return to office. Only 45% of African CEO's would be likely to incentivise their employees to return to the office in comparison to 63% of their Global counterparts.

Hybrid working and changing dynamics is of less concern to African CEO's than Global CEO's. Which supports the findings of African CEO's being less likely to incentivise a return of office of their employees.

Labour Market Dynamics

Globally, 87% of CEO's believe that an aging workforce will have a moderate to high impact on their organisation's recruitment, retention and overall culture, while the data skews in the opposite direction for African CEO's. The data indicates 89% of African CEOs impact an aging workforce will have a low to moderate impact on their organisation, reflective of the younger African talent pool. Despite differing concerns on the impact of the aging workforce, both Global and African CEOs cite the number of employees retiring without suitably skilled replacements as the biggest talent risk impacting their companies. This is followed by insufficient knowledge transfer between employees. Consideration should be given to appropriate succession plans in organisations. Cognisance of this risk is also ironic, given that most CEOs both in Africa and globally plan to invest more in technology than in upskilling their workforce.

In terms of growth, African CEO's place less emphasis on an employee value proposition (EVP) to attract talent (7%) versus Global CEO's (15%). This is reflective of economic pressures faced as more of their attention is focussed on inflation-proofing and growth than what is required from Global CEO's. African CEO's top priority in this context remains organic growth and improving the customer experience the latter being a greater focus in East and West Africa while South African CEO's prioritize reconfiguring supply chain to provide consistent access to supplies.

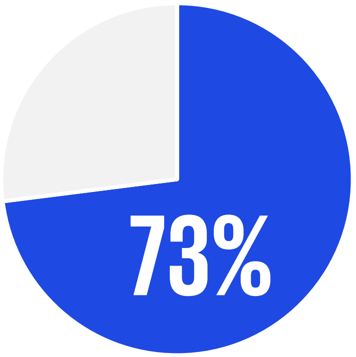
89%
African CEOs impact an aging workforce will have a low to moderate impact on their organisation, reflective of the younger African talent pool.

7%
African CEO's place less emphasis on an employee value proposition (EVP) to attract talent

Sustainable Development Goals

In considering the ESG strategy, there is a greater focus on employee engagement, EVP and talent attraction among African CEO's in comparison to Global CEO's. Global CEO's have matured to a customer and brand association focus

Consistent with the view of 76% of Global CEO's; 73% of African CEO's believe that diversity in the workplace requires change at a senior leadership level. The exact same proportion is reflected in the view of mandated quota's / targets.



African CEO's believe that diversity in the workplace requires change at a senior leadership level

Conclusion

Talent in Africa for Africa by Africans, this requires leaders on the continent to prioritise the development and deployment of talent across key sectors and service lines in the context of a growing yet increasing complex labour market. Through the adoption of AI technologies through strategic capital investment in technology. The burgeoning youth unemployment across Africa creates both an opportunity and threat for firms in that we either harness our potential or we contribute to the deafening silence of economic regression.

ESG

“This latest edition of the KPMG CEO Outlook shows that ESG has increased in importance for CEOs on the continent. It is clear, however, that there still are significant differences in ESG focus areas and the opinions of African CEOs when compared with their global counterparts. With African corporates standing at the eve of having to navigate large-scale ESG reporting requirement roll-outs across the continent, and abroad, the access to data and knowledge of how to maximise value out of ESG compliance are becoming key focus areas for African CEOs. One of the most fascinating outcomes of this KPMG CEO Outlook is the different perspectives between Southern, East and West African CEOs. The different economic, social and environmental landscapes in the three regions seem to have a significant impact in how CEOs in these regions think about ESG reporting, the risk of natural disasters on their businesses, the impact of social licence to operate on their businesses, and their risk/ reward view of ESG. Even though there are many differences in thinking, the one thing that is consistent between all regions in Africa, and across the globe, is that ESG will be one of the biggest value creators for corporates in the coming decade, especially where it is effectively integrated with companies’ digital transformations and their communication strategies.“

Pieter Scholtz
Partner – Africa ESG Lead

Adverse climate events are becoming more frequent and more intense as a result of global warming. In the last year we have seen many examples of destructive flooding events across the continent, whilst other areas are suffering from the worst droughts in decades. Scientists have been predicting for many years that Africa will be disproportionately effected by the effects of global warming and we are seeing these predictions come to life in front of our eyes. Based on these climate events, the impact they have on food security and water availability on the continent, and the further detrimental impact they have on health and social stability on the continent, it might be expected that African CEOs will be extra aware of the impact climate disasters can have on their businesses. The results of our CEO survey doesn’t support this expectation, though: Globally only 16% of CEOs disagree with the statement that adverse climate events will negatively impact their company’s prosperity. In Africa however that figure is more than double, at 34%. The reasons for this discrepancy are not clear at this moment.

For some of the other ESG-related risks, the African CEO’s, on average, had a more congruent view with their global counterparts, but there were some notable differences between the CEOs of the three regions:

Ineffective climate-adaptation strategies will adversely affect your business:

East Africa	Southern Africa	West Africa
58% agree	43% agree	43% agree

Misinformation will adversely affect your business:

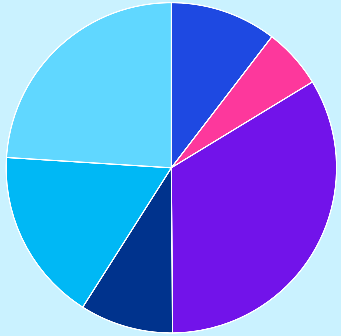
East Africa	Southern Africa	West Africa
60% agree	35% agree	43% agree

Reputational risk will adversely affect your business:

East Africa	Southern Africa	West Africa
68% agree	55% agree	67% agree

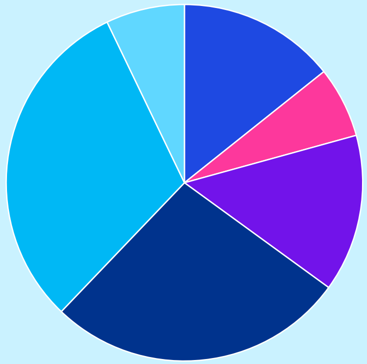
On the question of where CEOs believe their ESG strategies will have the greatest impact, CEO's across the continent seem have similar views, but these views showed some interesting differences from the views CEOs in the rest of the globe had:

Global CEO opinion



- Driving financial performance.
- Driving total shareholder return.
- Building customer relationships and positive brand association.
- Strengthening employee engagement and employee value proposition.
- Attracting the next generation of talent.
- Shaping our capital allocation, partnerships, alliances and M&A strategy.

African CEO Opinion



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"More than two thirds of African CEO's do not believe that their companies will be able to meet their 2030 Net Zero commitments."

Africa has been lagging behind the rest of the globe from an ESG reporting perspective. With Europe taking the lead and the other regions cautiously following, there are many different ESG reporting standards and requirements that have been developed so far. For African corporates with value chains into the EU, the UK, the US, China, Australia etc. there are already many different reporting requirements they have to comply with. For the rest, the current wave of ISSB adoption on the continent will require them in the near term to start reporting on their ESG performance. Given all of the different reporting requirements for companies, many CEOs are contemplating their organisations' capability and capacity to deal with all of these reporting requirements. Globally 76% of CEOs believe they have the capabilities and capacity to handle the additional reporting requirements. This figure falls to 41% of African CEOs that believe their organisations have the capabilities and capacity to handle the ESG reporting requirements.

37% of African CEOs believe they have embedded ESG into their businesses as a means to create increased value. This figure is significantly lower than the 65% of global CEOs that believe the same. East African CEOs are however much less convinced (26%) than their counterparts in the rest of the continent (43% for both Southern and West Africa) that they have embedded ESG into their businesses in a way that will unlock additional value.

The CEO Outlook also found that African CEOs are much less convinced than their global counterparts that their companies will meet their 2030 Net Zero commitments. 51% of Global CEO's believe they are on course to meet their 2030 Net Zero commitments, whilst only 32% of African CEO's believe their companies will meet their 2030 Net Zero commitments.

The biggest barriers identified by CEOs on the continent that could prevent them from meeting their Net Zero goals are:

- **19%** The cost of decarbonization.
- **19%** Lack of appropriate technology solutions to gather and analyse data.
- **19%** Lack of skills and expertise to successfully implement solutions.
- **22%** Complexity of decarbonizing supply chains.
- **7%** Lack of internal governance/ controls to operationalize it.
- **9%** Active ownership from shareholders and wider stakeholder groups.
- **4%** Increasing - but inconsistent - regulation requirements across jurisdictions.

The primary downsides to not meeting their stakeholders' ESG expectations for African CEOs are a loss of market share to their competitors and a reduction in their own tenure, whilst one of the biggest downsides of not meeting stakeholders' ESG expectations for CEOs in the rest of the globe is a reduction in access to top talent.

From the 2024 KPMG CEO Outlook it is clear that African CEOs have realised the risk of not embedding ESG into their operations, and the reward for shareholders and stakeholders alike when they do get it right to effectively embed ESG into their business strategies. There is probably no clearer indication of this than the fact that only 7% of CEOs in Africa indicated that they will not be willing to divest a profitable part of their business that is harming their business' ESG reputation.

Shaping social impact in ESG

The evolving 'S' factor in ESG for businesses

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

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

Subsequent to the 2020 edition, KPMG's annual CEO Outlook surveys have consistently highlighted the growing recognition that organizations are expected to play a more active role in addressing societal challenges.

Key issues such as inclusion, diversity, equity, climate change, and social justice have become central to strategic decision-making.

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

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

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

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

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

Polarization of ESG

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

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

The strategic path forward

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

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

> **As businesses continue to adapt to these evolving expectations, it is important that they remain committed to authentic and impactful social responsibility initiatives.**
>
> The evolving 'S' factor is not just a trend but a fundamental aspect of modern business strategy that will shape the future of corporate governance and societal progress.

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

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