



KPMG 2021 CEO Outlook

**Plugged-in, people-first,
purpose-led**

KPMG International

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Foreword

Optimism is back in the boardroom.

It's been roughly 18 months since the World Health Organization declared a global pandemic, and KPMG returns with its annual CEO survey to gauge how leadership strategies and concerns have shifted during these demanding times. And if one word could summarize our report, it's optimism — a remarkable and reassuring shift.

CEOs are incredibly confident in the growth prospects of their company and the global economy in general. Leaders expect aggressive growth and are looking to expand their business and organizations in any way that they can. They are hiring, exploring tie-ups and feel a strong connection to their organization's purpose.

Concerns about operational matters, like supply chain resilience, cyber security and regulatory matters, have climbed back to the top of their agendas.

A major lesson from the pandemic has been that we all need to work together to solve big problems, and importantly, ESG is front and center in most business plans. Our results show that corporates are ready to work closely with government to make good on their ESG commitments and are prepared to be held accountable for delivering on them. It's an encouraging sign, and one I am particularly pleased to see.

We may not be back to business as usual yet, and while threats to growth remain, like many of the CEO's we interviewed, I am more optimistic about the future than I have been for some time. The opportunity to build a stronger, more sustainable future exists only if we work together, for better.

Finally I would like thank all the CEOs who took the time to participate in this survey. Thank you and please stay safe.

Bill Thomas
Global Chairman and CEO
KPMG

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Key findings

The KPMG CEO Outlook series offers a unique lens on the ongoing implications of the COVID-19 pandemic and the prospects for economic recovery. Across the trajectory of the pandemic, we've connected regularly with the world's business leaders, reporting on some of the insights through our pulse surveys in July/August 2020 and January/February 2021. The 2021 CEO Outlook, our annual survey, draws on the perspectives for the future of 1,325 CEOs across 11 important markets.

Key insights are focused on how today's connected CEOs are plugged-in, people-first and purpose-led to grow their organizations and emerge stronger.

CEOs are optimistic, confident and expect to deliver aggressive growth through acquisitions and other inorganic methods. They continue to put an emphasis on leading with purpose and a focus on digitally transforming their organizations while upskilling an agile workforce in the new world of work.

With increased stakeholder pressure to build back better, global organizations are supercharged to increase investment into environmental, social and governance (ESG) priorities and stay true to their purpose.

With people returning to places of work, and society increasingly looking for business to lead a return to normal, CEOs are shying away from making wholesale changes to the future of work — but they recognize employee demand for continued flexibility.



Overall, three key themes emerged from this year's survey.

The road to renewal

Despite continued uncertainty and risk volatility, CEOs are confident and optimistic about growth, feel a strong connection to their purpose and are looking to drive expansion.

Rebounding growth

60 percent of CEOs are confident about growth prospects for the global economy (up from 42 percent in January/February of this year). Overall, CEO confidence has returned to pre-pandemic levels of early 2020, despite the Delta variant slowing down the return to normal.

Leading with purpose

As the public looks to leaders to drive progress on major societal challenges, 64 percent say that their organization's defining objective is to embed purpose into everything they do to create long-term value for all stakeholders (up from 54 percent in January/February 2020).

Accelerating growth and the digital agenda

With 87 percent of CEOs confident in their own company's growth prospects, M&A appears to be critical to powering this growth and acquiring digital capability — 87 percent say that they are looking to make deals in the next 3 years.

Trusted purpose

With increased stakeholder pressure to build business back better, CEOs are embedding ESG into business strategy.

Stepping up on social issues

71 percent said that CEOs will be increasingly held personally responsible for driving progress in addressing social issues. And 56 percent admitted that with public, investor and government expectations of diversity, equity and inclusion rising so fast, they may struggle to meet expectations.

Collaborating to power sustainability

Making progress on climate change will likely require action from both businesses and government, with 30 percent of CEOs planning to invest more than 10 percent of their revenues in becoming more sustainable, and 75 percent saying that world leaders at COP26 need to inject urgency into the climate agenda.

Connecting ESG strategy with financial returns

52 percent of CEOs at high-growth organizations believe that their ESG programs improve financial performance.

Digital agility

CEOs are strengthening their organization's digital advantage by building a more flexible future of work and operating as part of digital ecosystems.

Building a flexible future of work

CEOs need to decide on an operating model for the future that works for both employers and employees, with only 37 percent saying that they will have most employees working remotely at least two or more days a week, but 51 percent investing in shared office spaces.

Disrupting the disruptors

CEOs are looking to get on the front foot when it comes to disruption and innovation, with 67 percent saying they will increase investment in disruption detection and innovation processes.

Partnering for transformation and resilience

70 percent of CEOs say that new partnerships will be critical to continuing the pace of digital transformation, but they are also mindful of building cyber resilience into their approach.



The road to renewal

The pandemic was a test of leadership for CEOs: The true leaders protected the health and well-being of their employees, made big decisions amid uncertainty and adapted their leadership approach in a virtual environment. Today, CEOs are facing new challenges as their organizations manage the ongoing impact of the pandemic. They're balancing the potential to drive growth and transform their business with uncertainty around the potential of an uneven global recovery and the impacts of new virus variants and vaccine inequality.

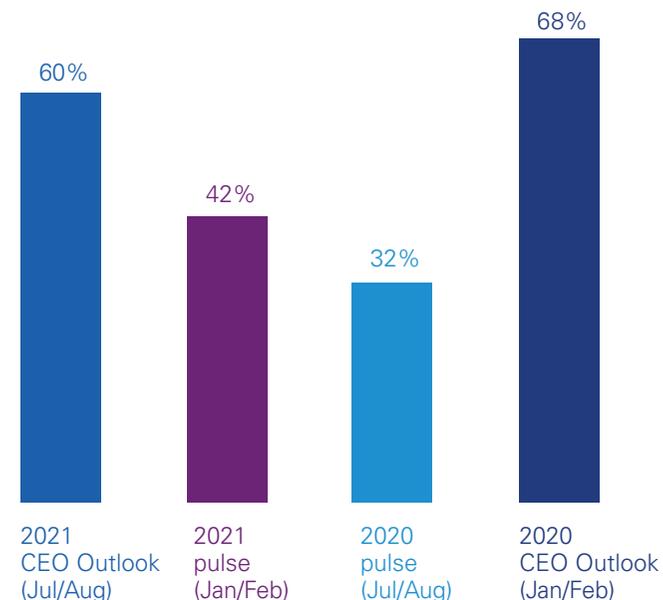
Connected CEOs recognize that the prerequisite for succeeding in a rapidly evolving landscape is being plugged in. This means building a digital core, connecting back-, middle- and front-office functions to focus on the customer. It means making sure the business model is relevant — deciding which businesses to divest or add, and reallocating capital expenditure to new digital growth opportunities. It means being resilient to cyber risk while also pursuing bold digital innovations. At the same time, CEOs need to have a people-first mindset — not only investing in new technologies, but also human capability. Finally, CEOs need to be purpose-led — winning the trust of stakeholders and helping build a more prosperous, equitable and sustainable world. Purpose-led CEOs follow through and deliver on previous commitments and statements with bold ESG programs. Sustained growth is about connecting these three priorities.

Rebounding growth

Despite the continued uncertainty of the COVID-19 pandemic, the survey shows that the perspectives and confidence of CEOs have shifted. CEOs are more optimistic about growth: For the first time since January/February 2020, prior to the pandemic, more than half (60 percent) of global CEOs are confident about the growth prospects of the global economy over the next 3 years.

Overall, CEO confidence levels have returned to the levels of early 2020, despite the Delta variant slowing down the return to normal. But to deliver this growth, organizations will need to make sure they have the right talent with the right skills to bring their growth plans to life. The research found that 88 percent plan to increase head count over the next 3 years, with close to one-third (32 percent) planning an increase of more than 6 percent. And as Chart 2 shows, CEOs have also narrowed the gap between their digital transformation objectives and investing in a digitally enabled workforce. While more CEOs are prioritizing technology investment when pursuing growth, the 40 percent who are putting more emphasis on people investments are a notable increase from 33 percent in 2020.

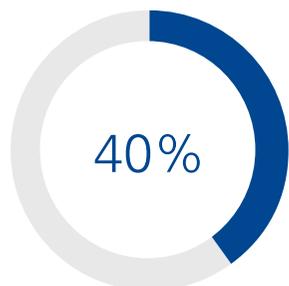
Chart 1: Despite the continued uncertainty of the pandemic, CEOs are confident about growth for the global economy



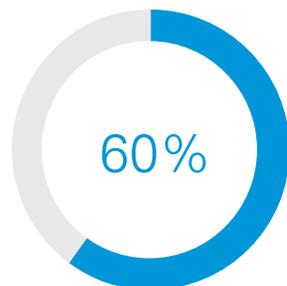
Source: KPMG 2021 CEO Outlook



Chart 2: Building talent an increasingly important driver of growth and performance



We are placing more capital investment in developing our workforce's skills and capabilities



We are placing more capital investment in buying new technology

Source: KPMG 2021 CEO Outlook

As CEOs look to drive growth, they also face the significant task of leading companies in a time of great uncertainty, where assumptions and forecasts are subject to constant change. As Chart 3 shows, this means very little is certain and no single risk emerged on top. There is a three-way tie for threats to growth: supply chain, cyber security and climate change. They were very closely followed by disruptive technology, regulatory and operational risks.

A sector view on risk

Differentiating between the top three risks comes down to a sector-specific lens, where a clearer picture emerges about their top challenge to growth.

- Over a quarter of retail/consumer segment CEOs (28 percent) are focused on **supply chain** risk, as are manufacturing (25 percent) and automotive (26 percent).
- Energy CEOs (37 percent) and infrastructure (19 percent) are focused on **climate change**.
- Technology sector CEOs (31 percent), telecoms (32 percent) and banking (17 percent) are focused on **cyber security**.



As we have talked about our purpose, and galvanized around it, that has raised our ambition level. It's made us more growth oriented. It's helped us innovate even faster. ”

Penny Pennington
Managing Partner
Edward Jones



Chart 3: Changing threats to growth



*Both 2021 survey and 2020 pulse survey were conducted in July and August.

Source: KPMG 2021 CEO Outlook and KPMG 2020 CEO Outlook COVID-19 Special Edition

What also distinguishes individual risks is how they have moved up on the agenda since 2020 — and two have seen marked rises.

- **Supply chain risk** (saw a rise of 10 percentage points from 2020): In the research, 78 percent of CEOs lead businesses that operate a supply chain, with 56 percent of that group saying their supply chain has been under increasing stress over the past 18 months.
- **Tax risk** (saw a rise of 8 percentage points from 2020): Three out of four (75 percent) CEOs believe that the pressure put on public finances by the pandemic response has increased the urgency for multilateral cooperation on the global tax system. At the same time, 77 percent agree that the proposed global minimum tax regime is of significant concern to their organization’s goals on growth. Meanwhile, they’re more worried about regulatory and tax risks than they were prior to the pandemic. The survey also found that 74 percent of CEOs recognize the strong link between the public’s trust in their businesses and how their tax approach aligns with their organizational values. As businesses aim to build back better, a majority (69 percent) of CEOs are feeling increased pressure to report their tax contributions publicly as part of their broader ESG commitments.

“ We have watched tax issues climb the priority ladder of CEOs in recent years, and with the breadth and depth of change coming to tax systems globally, the reputational, structural and financial stakes have never been higher. ”

David Linke
Global Head of Tax and Legal
KPMG

Leading with purpose

The convergence of issues ranging from climate change to social tensions has not just created widespread uncertainty — it has called into question the role that institutions play in the world today. In this context, stakeholder expectations of businesses have risen, and the actions of organizations and their leaders are under increasing scrutiny. Today, CEOs aim to deliver the shareholder returns investors expect and help build a better future for society.

74%

recognize “large corporations have the resources — both financial and people — to help governments find solutions to pressing global challenges”

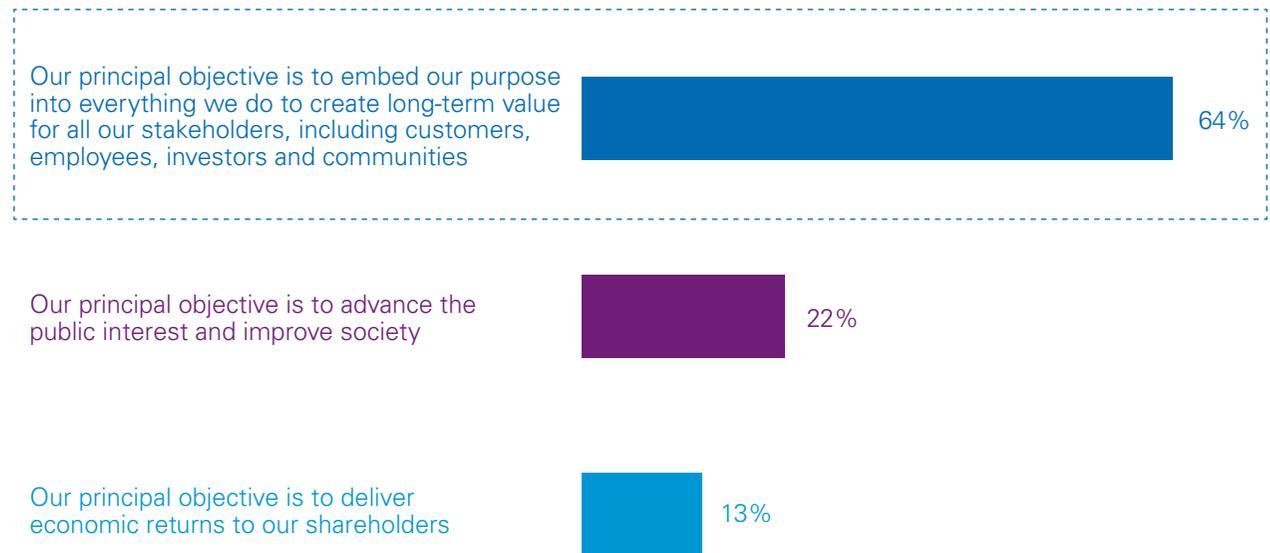
68%

say that “as confidence and trust in governments decline, the public is looking to businesses to fill the void on societal challenges, such as gender inequality or climate change”

Corporate purpose is key to meeting those goals. Now, more than ever, people care about what the companies they buy from stand for. Purpose is connected to a company’s role in society, its impact on the environment, how it sustains long-term value and how it operates within its community. It answers the question: “Why is our company in business — and how will it stay relevant?”

CEOs recognize the importance of purpose. For example, the research found that 87 percent said that purpose is central to building their brand reputation. As Chart 4 shows, this reflects the transition of business to multi-stakeholder capitalism, with nearly two-thirds (64 percent) saying purpose is the defining objective of their business and only 13 percent say their corporate objective is to manage shareholder value.

Chart 4: Majority of respondents say purpose is the defining business objective for majority of CEOs



Source: KPMG 2021 CEO Outlook



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CEOs are also focused on driving hard value from purpose and embedding it in their business and operating models to drive tangible value and growth. We found that 89 percent of CEOs said that purpose plays an important role in driving financial performance.

Accelerating growth and the digital agenda

Optimism is high, with 87 percent of CEOs confident in their own company's growth prospects, and inorganic strategies will be key to achieving this ambition.



say they will primarily use *inorganic* tactics, including strategic alliances with third parties (the focus for 29 percent), M&A (24 percent), joint ventures (11 percent) and outsourcing (6 percent).



make *organic* growth — such as innovation and R&D — their most important route to growth.

As CEOs look to react quickly to how markets have changed during the pandemic — particularly digital-driven changes in consumer preferences — M&A will likely be key to quickly building new capabilities and capitalizing on growth opportunities. Overall, 87 percent of CEOs say they're looking to make deals in the next 3 years. Among that number, 50 percent characterize their M&A appetite as 'high', with CEOs likely to undertake acquisitions that will have a significant impact on their organization.



“What a lot of CEOs are experiencing is a need for this profound transformation as a result of all things going digital.”

Frank Sloatman
Chairman and CEO
Snowflake Inc.



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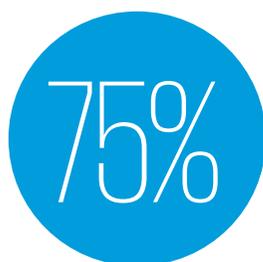


M&A will likely be particularly important for driving digital innovation and acquiring technology capabilities. The acceleration in digital technologies we've seen during the pandemic has meant that markets now operate more quickly. There has been a reset in the velocity of business, in areas such as customer behaviors, and CEOs need to ensure their companies are plugged in to this new dynamic and leading the pack. CEOs are shifting toward a cloud-first mindset, with half (50 percent) saying that they intend to partner with a third-party cloud technology partner in the next 3 years in pursuit of their growth objectives.

The research shows that CEOs are embracing the need to push the boundaries of their business.



say "we need to be quicker to shift investment to digital opportunities and divest businesses that face digital obsolescence"



say "we have an aggressive digital investment strategy, intended to secure first-mover or fast-follower status"

M&A will be particularly important for driving digital innovation and acquiring technology capabilities.

Frank Sloatman, Chairman and CEO, Snowflake Inc.— the data cloud company — believes that getting on the front foot is critical, as there's a tendency for businesses to still put their faith in 'business as usual' even when digital is transforming markets around them. "What a lot of CEOs are experiencing is a need for this profound transformation as a result of all things going digital," he says. "With the move to digital-to-consumer, enterprises that have no choice but to now approach the market digitally have to learn a whole bunch of new tricks. But everybody is sitting on their heels a little bit — sitting in that business-as-usual mode to try to anecdotally observe the world. But what they really need is a profound grasp on two areas: A, what's happening? B, what are we going to do specifically to navigate these thresholds?"



Trusted purpose

Today, corporate purpose is a business imperative. Key stakeholders — from customers to institutional investors — expect companies to have a positive impact on a range of areas, from driving diversity to helping protect the planet.

But a common challenge with purpose is how CEOs can turn it from a statement of intent to real actions by executing on their high-level commitments. Focusing on a bold ESG program can help identify key opportunities and challenges and allow CEOs to demonstrate how they can deliver on their purpose.

Putting people first to drive societal return

Over the past 18 months, the world has not only got faster as digital acceleration took hold, it has also become more divisive and fractious. In major economies, social tensions are on the rise. CEOs are cognizant of this public mood and the research shows they are ready to embrace the role that companies can play in driving total shareholder return and total societal return.

For Edward Jones Managing Partner Penny Pennington, tackling social issues can sometimes mean being willing to have difficult and challenging conversations. “Take the five-point commitment to address racism and positively impact opportunities for people of color that we launched in 2020,” she explains. “We conducted a pay-equity study; we have committed to unconscious bias training and anti-racism training; and we have made investments in organizations like the Urban League in St. Louis, which is making a huge difference in providing opportunity and reducing inequity in our own community. And importantly, we promised to give everyone a voice. Now, that’s a pretty big promise, right? But we committed to a series of courageous conversations, and over 12,000 of us have participated in online meetings where we have what are sometimes very uncomfortable conversations about race, our experiences and how we were brought up.”

CEOs are cognizant of the public mood and the research shows they embrace the role that companies can play in driving total shareholder return and total societal return.



Today, we see a major focus on the S in ESG, with 81 percent of CEOs saying, “Our response to the pandemic has caused our focus to shift toward the social component of our ESG program.”

But the research also found a profound tension between the accountability that CEOs feel they have for driving progress on the social dimension of ESG and their ability to meet expectations in the critical area of diversity. On the one hand, 71 percent of CEOs said they will be increasingly held personally responsible for driving progress in addressing social issues. But on the other hand, over half (56 percent) admitted that with public, investor and government expectations of inclusion, diversity, and equity (IDE) rising so fast, they may struggle to meet expectations. In addition, 46 percent of CEOs noted the global pandemic’s negative impact on women in the workplace has made it difficult to achieve their gender parity goals at a leadership level.

Driving progress on IDE within organizations will likely require action in two areas. First, CEOs will need to actively listen to employees to understand what aspects of IDE are important to them. Secondly, they will then need to set clear and measurable targets to achieve progress against those priorities.



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Collaborating to power sustainability

Action to limit climate change and reduce carbon emissions in the race to net zero has never been more important. The latest analysis from the UN’s Intergovernmental Panel on Climate Change (IPCC) — released in August 2021 — amounted to a “code red for humanity”, predicting that global warming will hit 1.5°C by 2040.

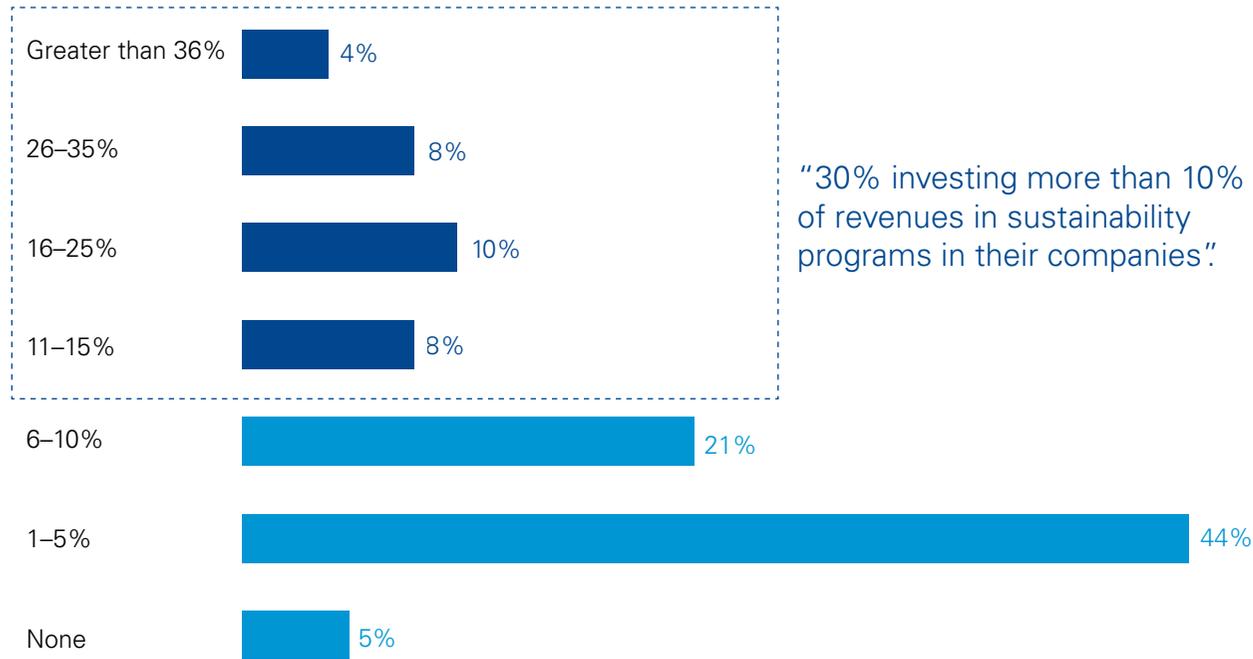


“Environmental and social sustainability is the starting point and the premise of our growth.”

Hironori Kamezawa
President & Group CEO
Mitsubishi UFJ Financial Group

Making progress on addressing sustainability issues, including climate change and the decarbonization of the economy, will require strong collaboration between business and government. As Chart 5 shows, CEOs are looking to devote significant capital to becoming more sustainable, with 30 percent planning to invest more than 10 percent of revenues in their efforts.

Chart 5: Percentage of revenue CEOs look to invest in sustainability programs



Source: KPMG 2021 CEO Outlook

But at the same time, they also stress that progress on sustainability and climate change requires equally strong government commitment.



say government stimulus is required to turbocharge climate investments being made by the business community.



say “world leaders at COP26 must inject the necessary urgency in the climate change agenda”



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Connecting ESG strategy with financial returns

The public is demanding more ambitious ESG goals — but have CEOs taken the necessary steps to bring them to life? 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 percent) of global CEOs say that their digital and ESG investments are inextricably linked. As CEOs plan to devote significant capital to becoming more sustainable, it's important their digital investments are plugged into their ESG needs.

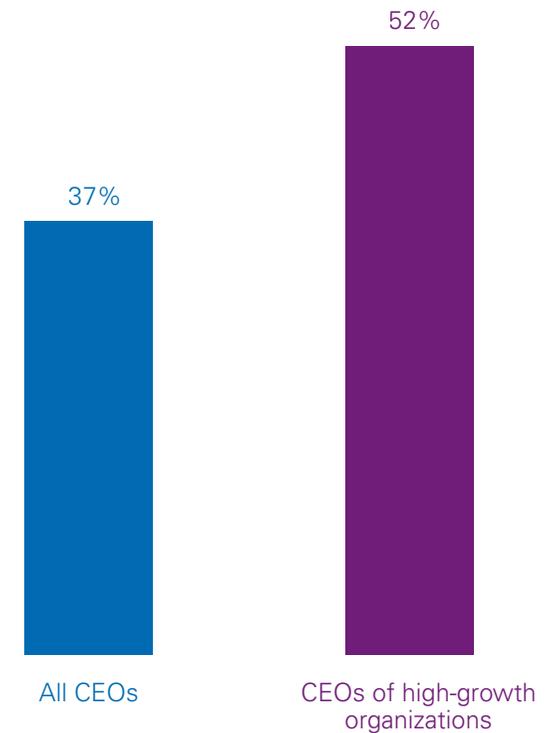
But while CEOs believe that social and environmental priorities are key, they're less convinced about making the connection between ESG programs and hard results. As Chart 6 shows, more needs to be done to connect ESG strategy with financial returns. While 52 percent of CEOs at high-growth organizations (those who see earnings growth exceeding 5 percent per annum over the next 3 years) believe that their ESG programs will improve financial performance, this drops to 37 percent across the wider sample of CEOs. Close to a quarter (24 percent) of CEOs say ESG programs may reduce financial performance.

“
CEOs are under increasing pressure from stakeholders to deliver on ESG goals and to actively address societal issues. It's crucial in today's landscape that businesses and their leadership teams show real-world examples of their dedication to building back better.”

Jane Lawrie

Global Head of Corporate Affairs
KPMG

Chart 6: High-growth companies more likely to see their ESG programs driving financial value



Source: KPMG 2021 CEO Outlook



CEOs feel their organizations are struggling to report on and communicate ESG performance in a way that matters to key stakeholders, such as investors. When we asked CEOs to identify the one critical challenge that was undermining their ability to communicate ESG performance to key stakeholders, the standout challenge (selected by 42 percent of respondents) was that they “struggle to tell a compelling ESG story”.

Getting this right is critical, as investor scrutiny of companies’ ESG performance is intensifying: 58 percent of CEOs are seeing increased demands from stakeholders — such as investors, regulators and customers — for increased reporting and transparency on ESG issues.

At Mitsubishi UFJ Financial Group, President & Group CEO Hironori Kamezawa makes it very clear that there is a strong link between ESG principles and tangible value, and that ESG factors should drive strategic planning. “Environmental and social sustainability is the starting point and the premise of our growth,” he says. “These include response to climate change and environmental protection; response to an aging population and low birthrate; and inclusion and diversity. Reversing the order of our way of thinking was a major factor here. We formulated our new medium-term business plan by first identifying the environmental and social issues we would like to address. Then we took steps to carefully examine the content of our business and made sure they address the issue we identified. I believe that by ensuring both upstream and downstream are properly linked, solutions to social issues and corporate strategy will be integrated. This aligns with today’s stakeholder capitalism, leading to a rise in stock prices as a result of higher investor valuations as well as the proper evaluation of non-financial information.”

CEOs feel their organizations are struggling to report on and communicate ESG performance in a way that matters to key stakeholders, such as investors.



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Digital agility

Building a flexible future of work

With people returning to places of work, and governments increasingly looking for business to lead a return to normal, CEOs are focusing more on flexibility rather than wholesale changes to office-based work.

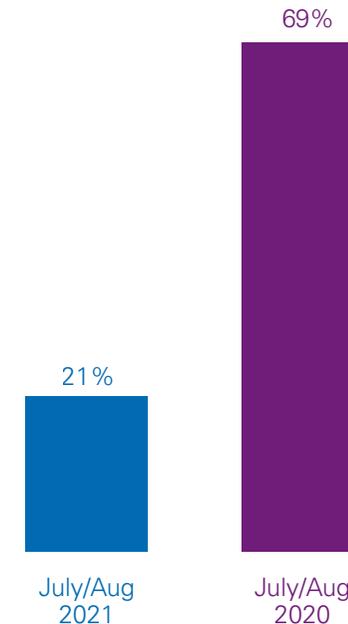
- Only 21 percent of CEOs plan to downsize (or already have downsized) their physical footprint or office space because of the pandemic and changing working habits. This is a steep decline from the 2020 CEO pulse survey (July/August 2020), where 69 percent said they were planning to downsize. In addition, only 37 percent said that their organization will have most employees working remotely at least two or more days a week.
- However, they're prioritizing flexibility. Over half (51 percent) of CEOs are recognizing the demands created by a rapidly evolving future of work and will be looking to invest in shared office spaces to allow for increased flexibility. This is a significant increase from the 14 percent we saw in the 2021 CEO pulse survey (January/February 2021). Forty-two percent indicate they will look to hire talent that works predominantly remotely, seizing the opportunity to expand their reach into a wider pool of talent.

“The global pandemic has caused business leaders to rethink their operations and the role their employees play in the future of their business. Smart CEOs are actively engaging with their workforce and using their data more effectively to rewrite their operating model to position their business for growth.”

Gary Reader

Global Head of Clients and Markets
KPMG

Chart 7: CEOs plan to downsize (or already have downsized) their physical footprint.

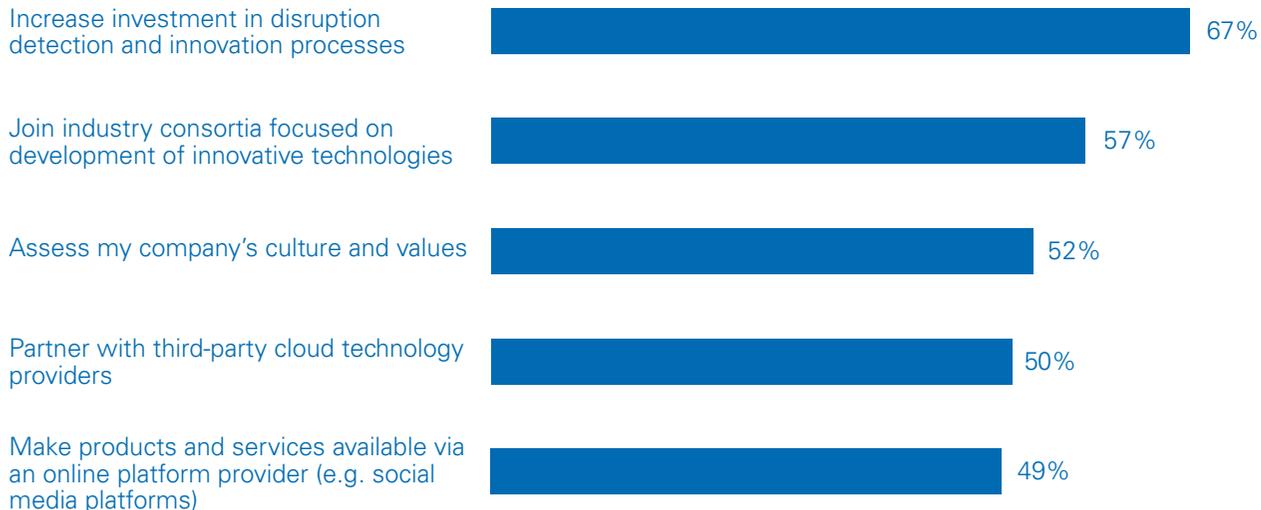


Disrupting the disruptors

CEOs recognize that digital lies at the heart of how companies can create new sources of value. While this is an opportunity, it's also a risk: The acceleration of digital technologies means that business models that have existed for years can quickly become obsolete and irrelevant.

The research shows that CEOs are embracing the need to push the boundaries of their business and question long-held assumptions of what it will take to succeed in the mid to long term. When we asked them what action they planned to take in pursuit of their growth objectives, close to two-thirds said they intended to invest in disruption detection and innovation processes (see Chart 8). This is an essential step to enable teams to think disruptively: questioning historical assumptions and traditional mindsets and brainstorming new ideas for a vastly different market environment. And rather than waiting to be disrupted by competitors, CEOs also said they're actively disrupting the sector in which they operate. This went from 61 to 72 percent in the past 18 months.

Chart 8: CEOs using a range of digital tactics to achieve their growth objectives, with a focus on building disruption and innovation capabilities



Source: KPMG 2021 CEO Outlook

“CEOs have narrowed the gap between digital transformative objectives for their organizations and investing in the future of work and a digitally enabled workforce. Technology advancement is still vital for businesses to remain competitive, but hiring talented people is equally important.”

Carl Carande
Global Head of Advisory
KPMG



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For Deborah Flint, President and CEO, GTAA — the operator of the Toronto Pearson International Airport, Canada’s largest airport facility — digital transformation is critical to the GTAA’s growth strategy as it responds to continued post-pandemic disruption. “We are at a time when digital transformation has never been as critical as it is now,” she says. “At Pearson, and broadly across large hub airports like ours, revenue was typically driven by one-third visiting family and relatives, one-third leisure travel and one-third business. And while business travel is returning, it is very slow. Rapid digital transformation is going to be critical for airports and the air sector to be more competitive. We have got to offer more certainty and more predictability to both travelers and carriers so that they operate more efficiently at a time where margins are going to be more precious than ever.”

Partnering for transformation and resilience

Companies across the world are operating as part of digital ecosystems — collaborating with partners, suppliers to drive operational performance, identify new digital revenue streams and create compelling digital customer experiences that deliver on an organization’s purpose. CEOs recognize the importance of collaboration and a fluid approach, with 70 percent saying “new partnerships will be critical to continuing our pace of digital transformation”

But as they digitally connect their systems and share data with partners, they need to make sure systems and data — especially customer data — are secure. Cyber security threats limit growth and create boundaries to digital development and inclusion. Purpose-led, sustainable cyber security practices help digital ecosystems thrive, bounce back from attacks and instill confidence that a business is well governed. The research shows that CEOs recognize the importance of building cyber security into collaborations and ecosystems.

- 79 percent say “protecting our partner ecosystem and supply chain is just as important as building our own organization’s cyber defenses”
- 75 percent say “a strong cyber strategy is critical to engender trust with our key stakeholders”

With only 58 percent of organizations saying they’re well prepared for a cyber attack, CEOs are focused on ensuring cyber security extends beyond the four walls of the enterprise. Forty-eight percent of CEOs say focusing on the security and resilience of their supply chains and supplier ecosystem is the most important step they’re taking to build digital resilience.



“We are at a time when digital transformation has never been as critical as it is now.”

Deborah Flint
President and CEO
Greater Toronto Airports Authority



Reflections on the way forward

There are three action areas that today’s connected CEOs can focus on as they look to grow and manage the ongoing impact of the pandemic.

Growth and resilience

Many organizations coped extremely well with the pandemic, showing resilience as they dealt with notable change, uncertainty and disruption. But resilience will also be key to economic recovery. For example, it will be key to managing climate risk and other threats as well as coping with ongoing digital disruption. Along with specific interventions — from managing supply chain risk to building cyber defenses — CEOs will need to surround themselves with resilient people.

- Make sure employees have the digital tools, data and skills they need to collaborate across the organization, giving them the ability to respond quickly and creatively to emerging threats.
- Resilience is also about having a team of motivated and engaged employees who are determined in the face of crises. This means energizing them behind a compelling purpose.

ESG and financial value

Our research shows there are still a significant number of CEOs who remain unconvinced about the positive financial impact of ESG programs. This reflects that ESG programs serve many goals. For example, they can ensure the organization is compliant with regulatory standards. Or they can contribute to ESG issues that are critical to local communities, such as diversity and equity. To help ensure ESG also drives financial growth, CEOs need to focus on two areas.

- Identify the critical ESG investments that are necessary to drive long-term value, such as decarbonization efforts. This needs to include investments in digital solutions to address major sustainability opportunities and risks. As well, set out how ESG initiatives can directly drive revenue growth through opportunities for innovative new products and services.
- Establish metrics and standards for reporting on ESG performance, which sets the ambition level and ensures the company can communicate a compelling ESG story to investors and other stakeholders.

The future of work

CEOs recognize that the future of work is about more than where people are based. High-performing organizations are those that can flex their technology muscles and their ability to upskill their people. This depends on having a motivated and highly skilled digital workforce who operate with speed and agility.

- CEOs should ensure that the decisions about the future of work deepen the extent to which employees are engaged and committed to the company. Leaders are obviously keen to see their people return but many employees are still anxious to hang on to those areas of work-from-home that are advantageous. Active listening, empathetic communications and a commitment to finding the right balance in the long term will be key.
- CEOs should invest in digital skills as well as technology modernization. This isn’t simply so that their people can use these new tools, but to help foster a digital-first culture where people naturally look to integrate technology into their work.

In summary

Today's connected CEOs — those who are plugged-in, people-first and purpose-led — embrace tough leadership challenges. They can deliver on their purpose commitments, making the ESG investments and changes necessary to address inequity and launch the race to net zero. They look to drive growth and prosperity through digital agility and business model innovation, while aiming to ensure that aggressive technology investments are matched by investment in human capabilities and skills. They pursue purpose to drive profitability and long-term growth while also recognizing their wider responsibilities to the planet and to people.



Key findings

The road to renewal

Trusted purpose

Digital agility

Reflections on the way forward

Methodology and acknowledgments

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The KPMG 2021 CEO Outlook provides an in-depth 3-year outlook from 1,325 global chief executives of major organizations on enterprise and economic growth.

This latest research is part of the KPMG CEO Outlook series, which offers a unique perspective on the mindset shift of global CEOs over the lifetime of the COVID-19 pandemic and looking forward to post-pandemic recovery. As well as this survey, which took place in July and early August, we also conducted a CEO Outlook pulse survey of 500 chief executives in January and February of this year. This allows us to examine how CEO thinking has evolved over the course of 2021. CEOs are drawn from companies with annual revenue over US\$500 million and a third of the companies surveyed have more than US\$10 billion in annual revenue, with no responses from companies under US\$500 million.

The July/August 2021 survey included leaders from 11 key markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, the UK and the US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecommunications).

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

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For further information about this report and how KPMG can help your business, please contact **CEOoutlook@kpmg.com**.

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