KPMG 2023 CEO Outlook

Singapore report

KPMG in Singapore
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Foreword

In an era marked by rapid transformation and ever-evolving business dynamics, today's businesses face a multitude of challenges. These range from global political fluctuations, shifting trade dynamics, to intricate international relations. Such complexities have dramatically reshaped the way businesses operate in this fluid environment, necessitating that firm leaders arm themselves with vision and robust business acumen to thrive amidst constant change.

The annual KPMG CEO Outlook provides a unique window into the strategic thinking of Singapore's top C-suite executives as they ready their organisations for an uncertain future. Demonstrating remarkable resilience, optimism, and adaptability in the face of adversity, these CEOs are trailblazing a path towards sustainable success.

Despite the challenges ahead, an overwhelming majority of the surveyed Singaporean CEOs forecast growth for their businesses in the next three years. We observe these executives honing their focus on enhancing the customer experience and fuelling inorganic growth through mergers, acquisitions, and expansion. Additionally, they are steering organic growth via innovation, including the adoption of emerging technologies such as generative artificial intelligence (AI).

Of note is the increasing recognition among Singapore CEOs regarding the critical role of environmental, social, and governance (ESG) factors in business. Approximately half of them have seamlessly integrated ESG into their business model, viewing it as a value-creating priority.

These strategic shifts and mindset evolution arrive at a pivotal moment. As we look into the future, CEOs will need to make informed decisions around technology, talent, and sustainability—factors poised to become key growth determinants. The insights gleaned from KPMG’s CEO Outlook underscore the determination of business leaders to navigate this unpredictable landscape, priming their organisations to seize upcoming opportunities.

Lee Sze Yeng
Managing Partner
KPMG in Singapore

Four key themes emerged from this year's CEO Outlook:

Economic outlook

▶ Purpose-driven leadership to drive growth in uncertainty

Business confidence rises for Singapore CEOs

A large majority of CEOs in Singapore are optimistic about the growth prospects of their companies, with 92 per cent of them forecasting growth for their businesses in the next three years, seeing a year-on-year increase from 2022.

Top risks to growth

68 per cent of CEOs note that rising interest rates and tightening monetary policies could prolong any potential recession. Amid market instability, appetite for mergers and acquisitions (M&As) among Singapore CEOs has dropped to 60 percent in 2023, as compared to 88 percent in 2022.

CEOs navigate challenges with purpose

Over half of Singapore's CEOs (56 percent) have already adjusted their growth plans to tackle complex challenges like operational risks and emerging technology, and an additional 40 percent are planning to follow suit.

Technology

▶ The emergence — and potential ethical dilemmas — of generative AI

CEOs investing heavily into generative AI

70 percent of global CEOs are making generative AI a top investment priority, while all Singapore CEOs agree that disruptive technology could impact their organisation's prosperity.

Concerns over ethical challenges of AI

CEOs in Singapore are most worried about ethical challenges of generative AI, along with having the technical capability and skills to implement AI.

Cyber confidence high among Singapore CEOs

Singapore CEOs are more confident in guarding against future cyber-attacks, with 68 percent of them saying they are 'very prepared'.

92% of Singapore CEOs are forecasting growth for their businesses

68% of CEOs note that rising interest rates and tightening monetary policies could prolong any potential recession

70% of global CEOs are making generative AI a top investment priority

52% of Singapore CEOs are prioritising the upskilling of their workforce in AI and ESG

64% of Singapore CEOs say that scrutiny over diversity performance will continue to increase

One in two Singapore CEOs have fully embedded ESG into their business to create value

36% of Singapore CEOs are choosing to invest in ESG governance and transparency protocols

Talent

▶ The evolution and reprioritisation of talent

Preparing the workforce for an AI-driven future

52 percent of Singapore CEOs transitioning from a focus on technology acquisition to prioritising the upskilling of their workforce in AI and ESG. Upskilling and reskilling their current workforce have become a strategic priority, especially as a third of Singapore CEOs (32 percent) anticipate that their headcount will remain unchanged over the next three years.

Debate over hybrid work persists

Attitudes towards hybrid working differ across the globe. The hybrid or remote ways of working look to have gained some traction in Singapore, with slightly less than half (48 percent) predict a full return to in-office work within the next three years.

Accelerating progress on inclusion, diversity and equity (IDE)

A majority of Singapore CEOs (64 percent) say that scrutiny of their organisations' diversity performance will continue to increase over the next three years. In Singapore, 68 percent of CEOs believe that achieving gender equity at the C-suite level will help in meeting their growth ambitions.

ESG

▶ Focusing on strategic ESG investments to create value

ESG remains a top priority for long-term growth

About one in two Singapore CEOs (52 percent) have fully embedded ESG into their business to create value.

CEOs focus ESG investments on governance

Amid uncertainty, 36 percent of Singapore CEOs are choosing to invest in ESG governance and transparency protocols, such as best practice reporting.

Delicate balance between ESG progress and business growth

One of the biggest downsides for Singapore CEOs in failing to meet ESG expectations is the higher cost of and difficulty in raising finance (32 percent).

Economic outlook

Business confidence rises for Singapore CEOs

Confidence in the global economy remains broadly unchanged year over year, surpassing pre-pandemic levels of confidence. Almost three in four global CEOs (73 percent) are confident about the economy over the next three years, compared to 71 percent last year. It reflects a clear resilience and a collective focus to get the world back on a sustainable, long- term growth trajectory.

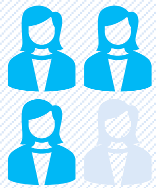
However, CEOs' confidence in their own company's growth prospects are at a three-year low; at the start of 2020, 85 percent of CEOs were confident in their company's growth prospects, compared to 77 percent this year. Compared to their global counterparts, CEOs in Singapore are more optimistic about the growth prospects of their companies, with 92 per cent of them forecasting growth for their businesses in the next three years. Notably, this optimism has seen a year-on-year increase, rising 16 percent from 76 percent in 2022.

Top risks to growth

Globally, CEOs now rank geopolitics and political uncertainty as the greatest risk to the growth of their business — be it navigating a company's presence in a conflict zone or attempting to navigate disrupted supply chains and manage price fluctuations. These concerns were not in the top five in the 2022 survey. This shift indicates CEOs globally have come to grips with the fact that geopolitical risk is not only a short-term consideration. In a geopolitically fragmented world, CEOs often become de facto political players. Their approach should elevate politics on the boardroom agenda while also creating a strategy around geopolitical risk that includes specialised insights, scenario planning and stress testing.

CEOs across the world also face shorter-term barriers to delivering growth over the next 12 months. For example, more than three in four (77 percent) globally say that rising interest rates and tightening monetary policies could prolong any potential or current recessions. This is also reflective of what Singapore CEOs think, with 68 per cent of them noting that rising interest rates and tightening monetary policies could prolong any potential recession. More than three in four CEOs globally (77 percent) also point to cost-of-living pressures impacting their profitability.

Amid market instability, appetite for mergers and acquisitions (M&As) among Singapore CEOs has dropped to 60 percent in 2023, as compared to 88 percent in 2022. This is compared to global CEOs' M&A appetite in 2023 which holds steady at 88 percent.



Almost three in four global CEOs are confident about the economy over the next three years

77%

of CEOs globally point to cost-of-living pressures impacting their profitability

CEOs navigate challenges with purpose

In the medium term, Singapore CEOs identify operational risk and emerging/disruptive technology as the primary threats to growth, similar to the concerns of their counterparts globally.

However, they remain undeterred. Instead, they approach this dynamic and demanding environment with resilience, adopting a purpose-driven, proactive strategy focused on technology, ESG, and talent management.

Over half of Singapore's CEOs (56 percent) have already adjusted their growth plans to tackle these interconnected challenges, and an additional 40 percent are planning to follow suit.

As CEOs navigate and respond to these challenges, they recognise that demonstrating personal integrity is key to building trust, with a majority (71 percent) saying they are prepared to divest a profitable part of their business if it was damaging their reputation, as compared with 52 percent of Singapore CEOs.

As geopolitics rise on boardroom agendas, 61 percent of CEOs say they would take a public stance on a politically or socially contentious issue, despite board concerns. For Singapore CEOs, this figure stood at 48 percent.

CEOs' top threats to growth

Singapore	Global
Operational risk 16%	Political uncertainty 18%
Emerging/ disruptive technology 16%	Emerging/ disruptive technology 12%
Supply chain risk 16%	Operational risk 12%
Interest rate risk 12%	Regulatory risk 9%
Political uncertainty 8%	Environmental/ climate change risk 9%

Source: KPMG 2023 CEO Outlook

"Business leaders are facing challenges and obstacles to growth on multiple fronts – from geopolitical uncertainty and politicisation to increased stakeholder expectations in the ESG space and the adoption of generative AI. What I find reassuring is that, despite the many macroeconomic and geopolitical challenges right now, mid-term global confidence remains relatively robust. There's a consensus that we can, in time, return to a path of international, sustainable long-term growth. For CEOs – the opportunity to drive a return to a more equitable, successful planet is right in front of us. The key to success will be an unrelenting focus on long-term, strategic planning and commitment to avoid the danger of short-term, reactive leadership, which is always a threat during a period of deep uncertainty."

Bill Thomas
Global Chairman & CEO, KPMG

Disruptive technology

CEOs investing heavily into generative AI

Artificial intelligence (AI) is transforming nearly every field of human endeavour and is embedded in more and more aspects of everyday life, businesses and society.

As tools like Bard and ChatGPT have gained prominence, global CEOs increasingly recognise generative AI's seemingly limitless potential and are keeping their foot on the gas in terms of their investment and exploration of the technology.

Global CEOs are making generative AI a top investment priority. The survey shows that 70 percent of CEOs globally are investing heavily in generative AI as their competitive edge for the future. This comes amid a growing awareness of the potential for AI to transform businesses.

All the CEOs surveyed in Singapore agree that disruptive technology, which also includes machine learning, blockchain and robotics, could negatively impact their organisation's prosperity over the next three years.

A majority of global CEOs (52 percent) expect to see a return on their investment in three to five years, similar to the 48 percent of CEOs in Singapore. In fact, increased profitability was cited as the number one benefit among global CEOs (22 percent) and Singapore CEOs (28 percent) of implementing generative AI within an organisation.

3-5 years When most Singapore CEOs expect to see a return on investment on generative AI

Top benefits of implementing the use of generative AI

Singapore	Global
01 Increased profitability	01 Increased profitability
02 Increased innovation	02 New product and market growth opportunities
03 Job creation	03 Increased efficiency and productivity (through automating routine operations)

Source: KPMG 2023 CEO Outlook

▶ According to our recent KPMG global tech report, 55 percent of organisations said progress toward automation has been delayed because of their concerns about how AI systems make decisions.

Global CEOs' perspectives on generative AI

70%	Generative AI is their top investment priority
57%	Ethical challenges are the number one concern when it comes to implementing generative AI
82%	AI may provide new attack strategies for adversaries

Source: KPMG 2023 CEO Outlook

Concerns over ethical challenges of AI

Despite a willingness to push forward with their investments, global CEOs recognise that emerging technologies can introduce risks that should be addressed.

Fifty-seven percent cite ethical challenges as the top concern when it comes to implementing generative AI, followed closely by a lack of regulation. Like their global peers, CEOs in Singapore are most worried about ethical challenges (64 percent) as well as having the technical capability and skills to implement AI (40 percent).

In a separate poll by KPMG in Singapore of 70 CEOs, over 70 percent of Singapore top executives agree that implementing AI would lead to increased efficiency and productivity across their organisations. The poll, which was conducted in October, also found that 40 percent of CEOs cite security, compliance and regulation issues as the most challenging for them, while 28 percent are most concerned about changing people's mindset and skills. Overall, 62 percent of CEOs polled feel that there should be more regulations and governance for the successful implementation of emerging technologies.

As scrutiny and regulation of AI increases, organisations may need policies and practices they can articulate and apply with confidence. For them to be fully on board, 68 percent of Singapore CEOs believe that there is a need to address the lack of current regulations and direction for generative AI in their industry, which has been a barrier to their success. Similar to CEOs in the region and other parts of the world, about three in four Singapore CEOs (76 percent) agree that the degree of regulations for generative AI should mirror that for climate commitments.

Cyber confidence high among Singapore CEOs

CEOs are also grappling with how AI technologies have heightened cybersecurity risks. While 64 percent of Singapore CEOs believe that generative AI could aid their cybersecurity strategy, they are also cognisant that it may bring new dangers by providing new attack strategies for adversaries, similar to the 82 percent of global CEOs.

However, Singapore CEOs' confidence in guarding against future cyber attacks has seen a sharp uptick this year, with 68 percent of CEOs here now saying they are 'very prepared' as compared with just 20 percent in 2022.
In contrast, more than a quarter (27 percent) of global CEOs still are not prepared for a possible cyber attack (up from 24 percent last year) while more than half (53 percent) say they are.
It is essential for CEOs to lead from the front, ensuring their organisations adopt responsible, robust AI frameworks and focus on safeguarding and governance.

Talent

Preparing the workforce for an AI-driven future

This year's challenging global landscape underscores the pressures CEOs feel to make decisions on a variety of critical issues — and they impact how CEOs plan to support and attract talent over the next three years.

CEOs are strategically preparing their organisations for a future steered by generative AI and ESG initiatives, with human expertise as the foundational pillar. A significant shift is evident, with 52 percent of Singapore's CEOs transitioning from a focus on technology acquisition to prioritising the upskilling of their workforce in AI and ESG. This surpasses the global figure of 48 percent.

Upskilling and reskilling their current workforce have become a strategic priority, seeing as about a third of Singapore CEOs (32 percent) anticipate that their headcount will remain unchanged over the next three years. Another third (36 percent) believe that their headcount could fall by up to 5 percent.

Debate over hybrid work persists

In Singapore, the hybrid or remote ways of working look to have gained some traction, with slightly less than half (48 percent) predict a full return to in-office work within the next three years.

Notably, global CEOs are steadfast in signalling their support of pre-pandemic ways of working, with a majority (64 percent) anticipating a full return to office. This remains consistent with their views in the 2022 CEO Outlook. In addition, 87 percent of CEOs say they are likely to reward employees who make an effort to come into the office with favourable assignments, raises or promotions.

The receptiveness of Singapore CEOs to post-pandemic ways of working is also evident through their attitudes towards rewarding behaviour of working from the office. Compared to CEOs globally, only about 34 percent of Singapore CEOs are inclined to reward employees who come into the office.

How likely are you to reward employees who make an effort to come into the office with favourable assignments, raises or promotions?

Singapore	Global
34% Very like and likely	88% Very like and likely

Source: KPMG 2023 CEO Outlook

48% of Singapore CEOs predict a full return to in-office work within the next three years

66% of global CEOs say that progress on inclusion and diversity has moved too slowly

Overall, the sentiment underscores the persistence of traditional office-centric thinking among most CEOs across the world. It comes against a backdrop of the debate surrounding hybrid working, which has had a largely positive impact on productivity over the past three years and has strong employee support, particularly among the younger generation of workers.

As organisations continue to roll out their return-to-office plans, it is crucial that leaders take a long-term view that embraces the employee value proposition and encompasses the considerations and needs of employees to ensure that talent is nurtured and supported.

Accelerating IDE progress

While there is broad alignment on the importance of inclusion, diversity and equity (IDE), there continues to be concern around the pace of progress. A majority of Singapore CEOs (64 percent) say that scrutiny of their organisations' diversity performance will continue to increase over the next three years, similar to the sentiments of 71 percent of global CEOs.

Two-thirds of global CEOs (66 percent) maintain that progress on inclusion and diversity has moved too slowly in the business world and a strong majority (72 percent) say that achieving diversity in workplaces requires implementing a change across the senior leadership level. In Singapore, 68 percent of CEOs believe that achieving gender equity at the C-suite level will help in meeting their growth ambitions.

ESG

ESG remains a top priority for long-term growth

ESG is increasingly being recognised by CEOs for what it is: an indispensable part of their corporate strategy that helps ensure their business is resilient and can deliver long-term growth — even when faced with numerous geopolitical and economic challenges.

Despite a polarising debate surrounding the term ESG, CEOs in Singapore and globally are continuing efforts to embed ESG into their businesses. They are taking a more outcomes-based approach to their efforts, while remaining pragmatic about the external environment.

Globally, over a third of CEOs (36 percent) have changed the language they use to refer to ESG both internally and externally, signalling a mindset shift among CEOs as they become more specific about each aspect of the acronym and prioritise where their investments can have the most impact. About one in two Singapore CEOs (52 percent) have fully embedded ESG into their business to create value, compared with the more than two-thirds (69 percent) of global CEOs.

CEOs focus ESG investments on governance

In a period of uncertainty, majority of CEOs in Singapore (36 percent) and Asia Pacific (40 percent) are choosing to focus their ESG investments on governance and transparency protocols, such as best practice reporting, with less attention being paid to social and community programmes. This comes even as 96 percent of Singapore CEOs say that they have responsibility to drive greater social mobility, far higher than the 80 percent in 2022.

While global CEOs believe they are still a few years away from seeing a return on their ESG investments, they recognise the importance it has with their customers and on their brand. Nearly a quarter (24 percent) believe that, over the next three years, ESG will have the greatest impact on their customer relationships, and a further 16 percent believe it will help build their brand reputation.

About three-quarters of Singapore CEOs (72 percent) anticipate that it will take three to seven years for their ESG investments to pay off, with the greatest impact likely on their capital allocation, partnerships, alliances and M&A strategy (24 percent) and talent attraction for the next generation (24 percent).

Top areas where ESG strategy will have the greatest impact

Global	Singapore
01 Building customer relationships	01 Shaping our capital allocation, partnerships, alliances and M&A strategy
02 Shaping our capital allocation, partnerships, alliances and M&A strategy	02 Attracting the next generation of talent
03 Building our brand reputation	03 Building customer relationships
04 Attracting the next generation of talent	04 Building our brand reputation

Source: KPMG 2023 CEO Outlook

Singapore CEOs' perspectives on ESG

70% CEOs have fully embedded ESG into their business as a means to value creation

32% Biggest downside in failing to meet ESG expectations is higher cost of and difficulty in raising finance

Source: KPMG 2023 CEO Outlook

Among the greatest barriers facing Singapore CEOs looking to achieve net-zero or similar climate ambitions is the lack of internal governance and controls to operationalise these goals. Two in five Singapore CEOs (40 percent) rank this as their top challenge, a marked shift from the previous year where the lack of appropriate technology solutions was seen as the biggest obstacle.

Delicate balance between ESG progress and business growth

Global CEOs are also keenly attuned to new regulations and shifting politics when it comes to ESG. Despite this, 68 percent indicate that their current ESG progress is not strong enough to withstand potential scrutiny from stakeholders or shareholders. Amid rising stakeholder expectations, only 8 percent of CEOs in Singapore say that they currently have the capability and capacity to meet new reporting standards, compared with 50 percent in Asia Pacific and 74 percent globally – showing that there is still some progress to be made. One of the biggest downsides for Singapore CEOs in failing to meet the ESG expectations of stakeholders continues to be the higher cost of and difficulty in raising finance (32 percent), similar to 25 percent of global CEOs.

The difficulty in balancing progress with business growth is further supported in our ESG Assurance Maturity Index, where more than half of senior executives that consider themselves ready for ESG assurance said it was a challenge to balance assurance goals with the profit expectations of shareholders.

Exploring opportunities for growth

Technology

- Embrace generative AI in a way that is ethical, makes the most sense for your business and keeps the needs of your employees and clients at the forefront.
- Stay up to date with cyber-attack strategies so you and your employees do not expose the business to risk.

Talent

- Take a long-term view when it comes to employees' desire for hybrid or remote working to ensure that talent is nurtured and supported.
- Set the tone at the top. Senior leadership should make IDE a stated priority, set real targets, fund initiatives and appoint management to lead programs with clear accountability.

ESG

- Position ESG as a driver for value creation when it comes to business growth, rather than as a risk to be managed. New avenues open when ESG is considered in the growth conversation.
- Stay attuned to shifting ESG regulations to help maintain your business's brand reputation and client relationships.
- Focus ESG investments on areas in line with your values and those of the business.

CEOs have responded to uncertainty with a purpose-driven, resilient approach, reevaluating strategies and adopting collaborative leadership. And while there are profound challenges ahead, for the right leaders, this provides an opportunity to steer economies and society in the right direction — together, for better.

Methodology

About the KPMG 2023 CEO Outlook

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

All respondents have annual revenues over US$500M and one-third of the companies surveyed have more than US$10B in annual revenue. The survey included leaders from 11 markets (Australia, Canada, China, France, Germany, India, Italy, Japan, Spain, UK and US) and 11 key industry sectors (asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology, and telecommunications).

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

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