Geared for growth:

Latin America's CEOs prepare for a more integrated future

KPMG in Mexico

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Introduction

Every year, KPMG International surveys CEOs around the globe to assess their confidence in their economic prospects, and to uncover which issues are having the biggest impact on their agendas.

In this report, we look more closely at Latin American CEOs, drawing **insights from the 278 CEOs recently surveyed across the region**[1], and highlighting the unique factors influencing these CEOs as well as what sets them apart from their global counterparts.

Key findings

96 percent

Are optimistic about prospects for their company over the next 3 years

85 percent

Expect growth of 2 percent or less over that same period

96 percent

See themselves as disruptors, rather than waiting to be disrupted by competitors

46 percent

Say that changes to tax laws may cause them to change their operating models

[1] Argentina, Brazil, Chile, Colombia, Mexico, Panama, Peru and Venezuela.

"Continuing confidence in economic recovery at home is keeping both electoral uncertainty and the threat of territorialism at bay, with 90 percent of Latin American CEOs expressing optimism about growth prospects for their country over the next 3 years – an increase of 20 percent from the 2017 survey," says **Scott Ozanus, Chairman, KPMG Americas Region**.

"Though there is a greater sense of security in home markets, Latin American CEOs are feeling more challenged than ever to keep pace with constantly evolving cybersecurity risk, most commonly identified as the greatest threat to Latin American organizations' growth (up from fourth last year)."

99 percent

Are implementing or piloting artificial intelligence in some specific processes

55 percent

Expect investments in digital transformation to provide returns within the first year

29 percent

Name cybersecurity as the greatest risk they face in the near term

44 percent

Believe they have failed to meet customer expectations for a personalized experience

Facing geopolitical disruption with confidence

> To be successful, as well as to deliver sustainable growth across societies, there need to be equitable conditions between competitors.
>
> **Andrés Conesa**
> CEO
> Aeromexico

Latin American CEOs are facing the next 3 years with extraordinary confidence.

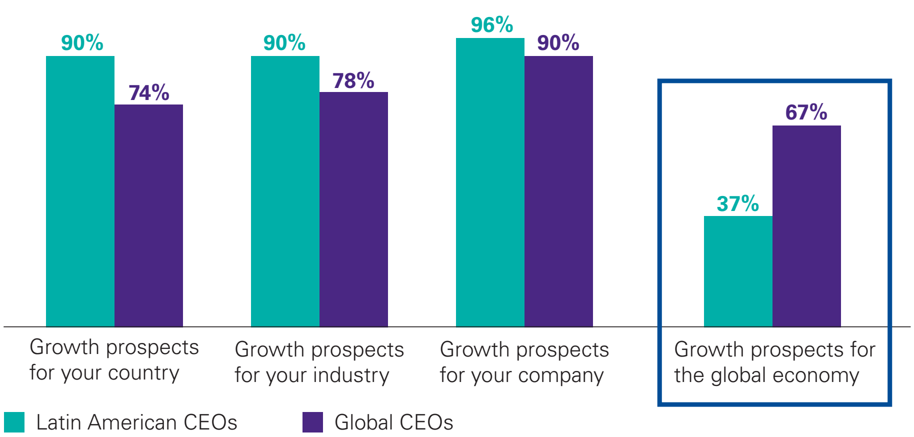
This year, 90 percent of Latin American CEOs expressed optimism about growth prospects for their country as well as for their industry over the next 3 years—percentages that are far higher than those cited by their global counterparts (Figure 1). This gap was much smaller last year, when roughly seven out of 10 CEOs in the region, as well as 77 percent globally, were confident in their country's growth prospects, and both seven out of 10 Latin American and global CEOs were confident in their industry's growth prospects.

Latin American CEOs are even more bullish about prospects for their company, with 96 percent saying they are optimistic. However, CEOs in the region were particularly gloomy about the global economy outside their borders, with only 37 percent expressing optimism—far more pessimistic than their global counterparts.

"For the first time, I would say probably in the last 10 years, there is synchrony in growth across the region and most of the globe," says **Víctor Esquivel, Senior Partner, KPMG in Mexico and Central America**. "CEOs are confident in their own capacity to capture opportunities in this cycle of growth."

Their confidence persists despite the electoral upsets and political scandals that dominate headlines in Latin America and the uncertainties

Figure 1: What is your level of confidence over the next 3 years?
Percentage of respondents who answered "confident" or "very confident"



Source: 2018 Global CEO Outlook, KPMG International

surrounding the upcoming presidential elections in Mexico and Brazil. CEOs are not immune to this potential tumult, but they seem to be focusing on the positive. Economic recovery may be uneven across the region, but demand is on the rise in some of the biggest markets and many companies are banking on a comeback for the region's middle class.

"In Brazil, there is so much room to grow internally and to recover the status that we had a decade ago," says **Charles Krieck, Senior Partner, KPMG in Brazil and Chairman, KPMG in South America**. "In the short term, uncertainty over the election is taking second place to meeting pent-up domestic demand."

At the same time, the move away from populist politics in Latin America is a welcome harbinger for business. Many countries in the region are starting to see a separation of economic policy from politics and greater consistency on business models. "Thanks to key factors such as technological disruption, customer-centricity and labor automation, Latin American CEOs have in their own hands the future of their organizations," explains Esquivel.

Despite the reliance on global trade in many sectors, Latin American CEOs, as a group, seem surprisingly unfazed about the risk of growing territorialism, which they ranked below almost every other potential risk. Only 5 percent consider it their organization's greatest risk vs. 16 percent globally (Figure 2).

Figure 2: Territorialism poses a threat to our organization's growth
Percentage of respondents selecting territorialism as the risk posing the greatest threat to their organization's growth

Source: 2018 Global CEO Outlook, KPMG International

The changing trade landscape is not all bad news for Latin America

To be sure, renegotiating the North American Free Trade Agreement (NAFTA) could have a potentially powerful impact on Mexico, with its strong reliance on trade with the U.S. and its integrated North American supply and value chains. But Mexico and other countries in the region also stand to benefit from a realignment in trading blocs. The patchwork of trading agreements that divide Pacific-facing countries and Atlantic-facing countries may finally give way to a less political and protectionist environment that acknowledges the growing potential of a more integrated region and closer trading ties with Asia. At the same time, many Latin American resource, infrastructure, manufacturing and agricultural projects are seeking and attracting a new level of global investment and, as such, must adhere to a high global standard and a greater degree of transparency.

One industry that has long propelled connectivity across the Americas is aviation. Aeromexico, for example, is a founding member of SkyTeam, a route-sharing alliance with Delta and other carriers. "Connecting the world is the essence of the airline industry. As such, Aeromexico contributes to the elimination of borders to help best unite people, goods and economies," says **Aeromexico CEO Andrés Conesa**. "But for this mission to be successful, as well as to deliver sustainable growth across societies, there need to be equitable conditions between competitors," he emphasizes.

Rethinking taxes

> “Latin America has some of the lowest tax-revenue-to-GDP ratios in the world. This is a real opportunity to create a more stable and efficient tax collection system.”

Víctor Esquivel
Senior Partner
KPMG in Mexico and Central America

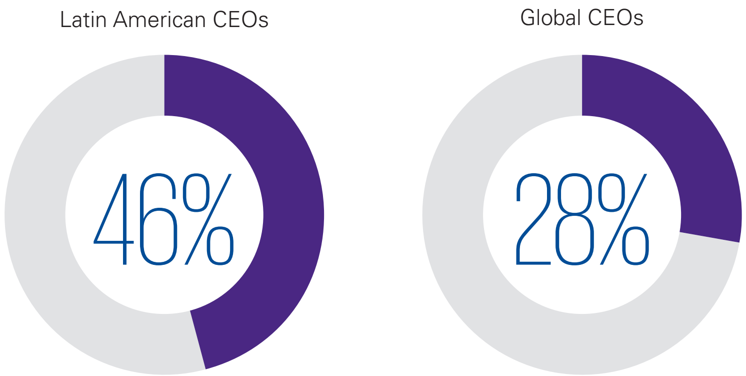
Taxes are a perennial factor in C-suite decisions. This year, however, shifting tax structures may impact not only investment decisions but operational decisions as well.

Nearly half of Latin American CEOs say that changes to tax laws may cause them to rethink their operating models, compared with only 28 percent globally (Figure 3). CEOs in Argentina, Colombia, Mexico, Peru and Venezuela are even more likely to consider major operational changes based on new tax policies.

One reason: Tax policy in the United States is influencing investment decisions for many global companies. “The U.S. tax reforms include an incentive for new investments in manufacturing, and this will be part of the consideration for any new investments domestically or inbound foreign direct investment,” explains Víctor Esquivel, KPMG in Mexico and Central America. This in turn is putting pressure on Latin American governments to improve their own tax systems—a longstanding challenge in many countries where tax collection is notoriously inefficient and burdensome.

At the same time, Latin America has some of the lowest tax-revenue-to-GDP ratios in the world, says Esquivel. “This is a real opportunity to create a more stable and efficient tax collection system,” he says. Mexico, for example, has already digitized and automated some tax-filing procedures, saving time and adding transparency on all sides. But any changes to tax laws can create uncertainty for business, points out Charles Krieck, KPMG in Brazil and South America. “If you base your strategy on a certain tax regime and then it changes, it can throw off all of your predictions,” he explains.

Figure 3: Changes to tax laws are causing me to think about changing our business operating model
Percentage of respondents who answered “agree” or “strongly agree”



Source: 2018 Global CEO Outlook, KPMG International

Investments drive growth

> We have been able to show that there is still great potential ahead in Latin America.
>
> **Suzan Rivetti**
> Company Group Chairman
> Johnson & Johnson (J&J) Brazil

Despite their confidence, only 15 percent of Latin American CEOs predict top-line growth of more than 2 percent for their organizations, compared with 44 percent of CEOs globally (Figure 4).

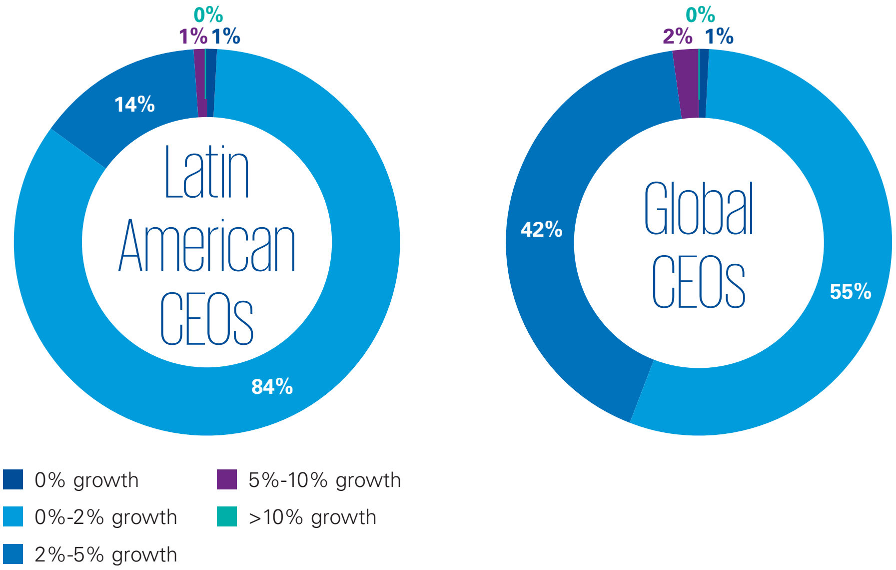
At the same time, Latin American CEOs are far more confident in their existing innovation processes and execution than CEOs globally and are far more likely to see themselves as disruptors than their global counterparts.

Underneath these tame growth numbers are various powerful headwinds and tailwinds. For any company that has been living through a severe recession, 2 percent top-line growth looks like an improvement, and to be sure, there are many companies in the region that will grow even faster.

Suzan Rivetti, Company Group Chairman of Johnson & Johnson (J&J) Brazil, explains: "In 2017, we had marginal growth, hence the forecasting ahead is still at least 3 points below the annual growth we had before the crisis. The unemployment rate in Brazil has doubled and that is affecting consumer confidence." Political and economic uncertainties have made it more difficult to justify investment in the region, says Rivetti, "but we have been able to show that there is still great potential ahead in Latin America."

In fact, many companies in the region invested throughout the recession, betting on a comeback for the middle class, explains **Pedro Melo, Chief Operating Officer, KPMG in South America**. "These investments in new

Figure 4: What is your organization's outlook for top-line revenue growth over the next 3 years?



Source: 2018 Global CEO Outlook, KPMG International

services or new products are just now starting to find a market as economies recover," he says.

For Aeromexico, "2018 represents an important landmark as we complete the next step of a fleet simplification strategy we have been building for almost 10 years," says CEO Andrés Conesa. He stresses that the global airline industry, due to the magnitude of its investments and the time it takes for structural changes to come into fruition, makes decisions based on the long-term perspectives of the market and its core business—decisions that need to withstand the uncertainties of political and economic cycles. "Fleet planning decisions take anywhere from 5 to 10 years to be set in place, and even short-term decisions like route planning usually endure for the long term," says Conesa.

But companies can't afford to rely on past investments alone. "Achieving growth over the next 3 years will be harder than ever, especially if we only stick to old strategies and methods," says David Bojanini, CEO of Grupo Sura in Colombia. Grupo Sura is exploring new channels and new technologies to reach not only its traditional customer base but also consumers in the informal and unbanked economy.

J&J's Rivetti is looking ahead as well to the challenges she sees to fast-moving consumer goods in the future: new retail channels such as discounters and cash-and-carry formats; e-commerce growth with the entry of Amazon and Alibaba in the near future, and new consumer trends coming from millennials.

"Investments in new services or new products are just now starting to find a market as economies recover."

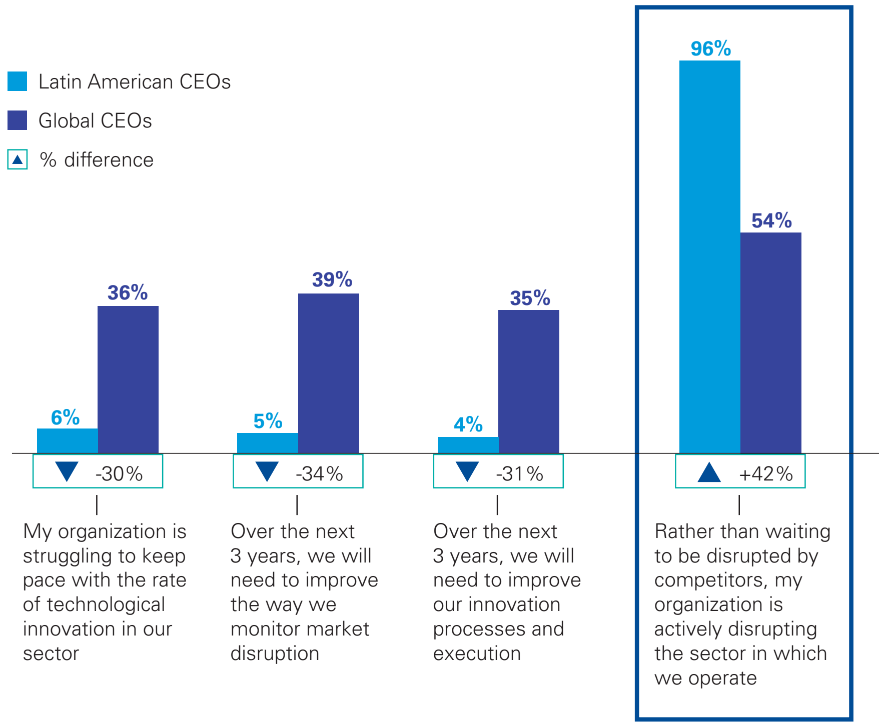
Pedro Melo
Chief Operating Officer
KPMG in South America

Prepared for disruption

In sharp contrast to CEOs globally, Latin American CEOs see little need to become more agile or change the way they monitor disruption in their markets. They tell us they are not struggling with new technology and are very confident that they have the right skills and teams in place (Figure 5).

> Being first does not mean winning. The conversation for us should not focus on disruption alone but on sustainability.
>
> **David Bojanini**
> CEO
> Grupo Sura

Figure 5: Ranking the technology and disruption challenge



Source: 2018 Global CEO Outlook, KPMG International

Grupo Sura's CEO David Bojanini believes he has an explanation for this confidence: Latin American CEOs are not on the bleeding edge of innovation. Most CEOs can wait and watch and then decide what works best from the safety of a dominant domestic position. "Latin American companies have more time to observe and analyze new technologies that emerge internationally, as well as new business models and consumption trends. They can base their innovation strategies mainly in incorporating and adapting those models to better serve local markets," he says.

"Being first does not mean winning. The conversation for us should not focus on disruption alone but on sustainability," he continues. "However, every year, due to globalization, changes travel faster from one corner of the planet to another, making it imperative for Latin American companies to shift from being followers and invest more in R&D, innovation programs and alliances to become more competitive," he adds.

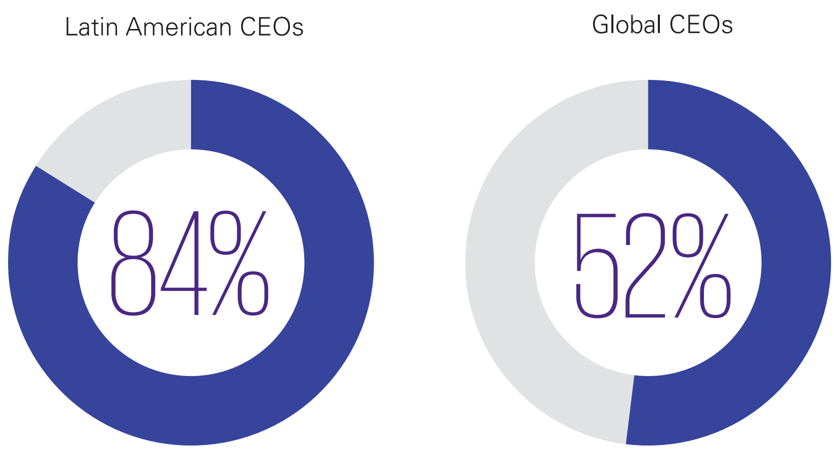
Fighting for the talent of tomorrow

There is a different kind of talent war in Latin America, says Charles Krieck, of KPMG in Brazil and South America

"In the United States and Europe, you are fighting for the talent that is already there," he says. "Here, the fight is for the talent of tomorrow. It's a question of hiring people with potential and training them to be ready for the next challenge." The risk, he explains, is correctly identifying the next challenge to guide those talent investments.

That is one reason that Latin American CEOs are taking a conservative approach to hiring. Only 13 percent plan to increase headcount by more than 5 percent in the next 3 years compared with 37 percent of CEOs from the rest of the world. In keeping with their wait-and-see attitude about growth and technology, the overwhelming majority of Latin American CEOs plan to wait to reach certain growth targets before hiring new skills (Figure 6).

Figure 6: We are waiting to achieve certain growth targets before hiring new skills
Percentage of respondents who answered "agree" or "strongly agree"



Source: 2018 Global CEO Outlook, KPMG International

While most companies in the region are taking a wait-and-see approach, J&J plans to expand its talent pool in a few areas, says CEO Suzan Rivetti. As with many companies in the region, J&J plans to hire more data scientists, scenario and risk-modeling specialists to predict and mitigate future business risks, and sustainability experts to lead the integration of sustainable thinking into business strategy.

New capabilities through corporate venturing

"Partnerships have been one of our major focus areas and have helped speed our time to market, leverage new innovations and deploy new technologies."

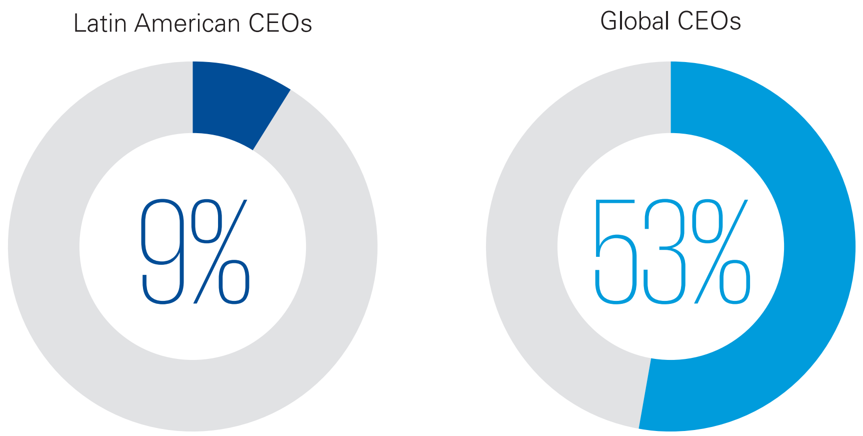
Suzan Rivetti
Company Group Chairman
Johnson & Johnson (J&J) Brazil

Latin American CEOs do not feel the same need to form collaborative partnerships as CEOs globally.

When it comes to emerging technologies, there is consensus forming around the world that the practice of partnering is preferable to building—even for technologies that might be core to future products and services. More than half of global CEOs believe that third-party partnerships are the only way to achieve agility. Latin American CEOs, however, appear to be less inclined to form strategic alliances, and only 9 percent see partnering as a strategic imperative (Figures 7 and 8).

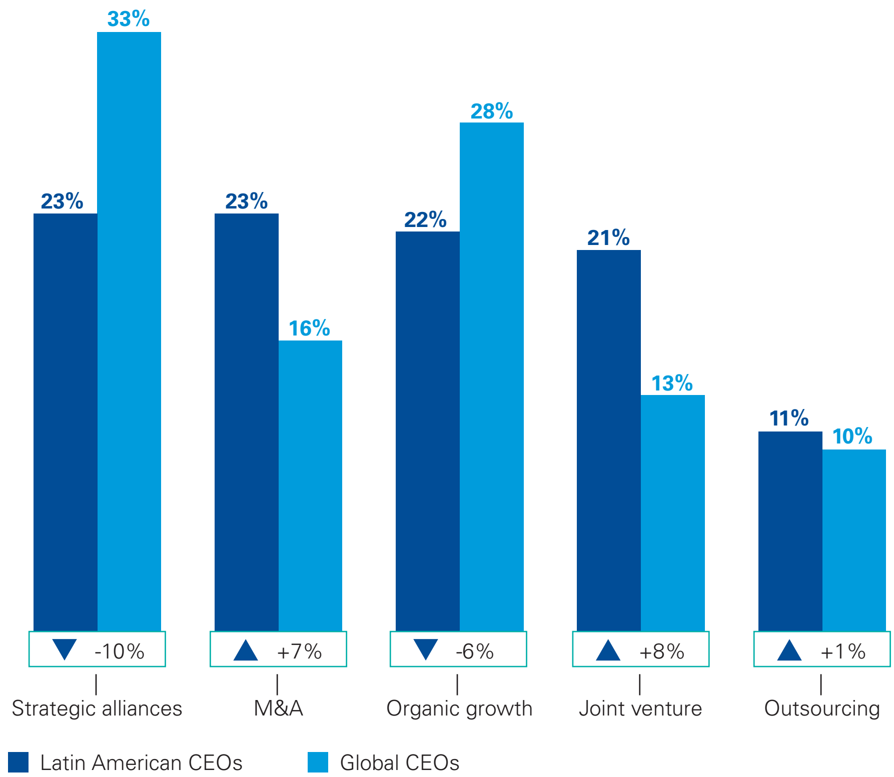
Figure 7: The only way for our organization to achieve the agility it needs is to increase the use of third-party partnerships

Percentage of respondents who answered "agree" or "strongly agree"



Source: 2018 Global CEO Outlook, KPMG International

Figure 8: Which strategy will be most important for achieving your organization's growth objective over the next 3 years?



Source: 2018 Global CEO Outlook, KPMG International

> “There is no way we can develop everything we need to keep up with this world and still meet customers’ new needs and demands, at the right speed, without making the proper alliances.”

David Bojanini
CEO
Grupo Sura

Why is this the case?

On the one hand, many industries in Latin America are already operating in an ecosystem of alliances, such as the auto industries in Brazil, Mexico and Argentina. In central Mexico, for example, there are centers of excellence and strong research capabilities around the auto industry that are now attracting aerospace investment. Agriculture and micro-credit are also developing along more collaborative models.

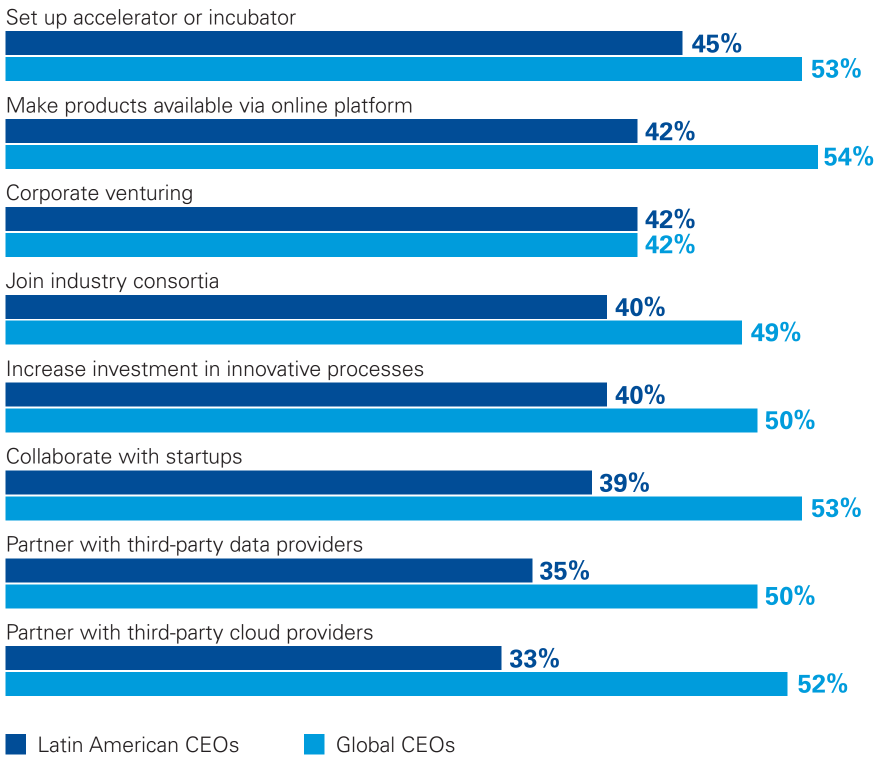
But Víctor Esquivel, KPMG in Mexico and Central America, explains that this sort of concentration of talent and innovation is not homogenous across all industries or subsectors. There is a perceived scarcity of potential partners or qualified collaborators in many fields.

Just as many Latin American CEOs see the need to develop talent in house, they are also turning to corporate venturing and in-house incubators to discover and nurture emerging and future innovations (Figure 9).

For J&J, third-party partnerships have been critical to the company’s growth. “Partnerships have been one of our major focus areas and have helped speed our time to market, leverage new innovations and deploy new technologies,” says CEO Suzan Rivetti.

Grupo Sura is seeing similar benefits by looking outside the company for innovation and expertise. “There is no way we can develop everything we need to keep up with this world and still meet customers’ new needs and demands, at the right speed, without

Figure 9: Does your organization plan to undertake any of the following actions over the next three years to help in pursuing your growth strategy?



Source: 2018 Global CEO Outlook, KPMG International

making the proper alliances," explains CEO David Bojanini. Those alliances revolve around Grupo Sura's corporate venture program, which has a mandate "to invest in disruptive companies with great technology capabilities or an outstanding user experience, with the potential of being game-changers."

CEMEX has a corporate venturing program with a mission to identify business opportunities in the construction space that are related to new technologies. One success story is around the company's application, which certifies tradespeople—mechanics, electricians, plumbers, carpenters—so small builders and homeowners can have some assurance that the person they want to hire knows what he or she is doing. The app is available to CEMEX retail customers. "The investment is minimal, but the service to our customers and the complement to our stores is huge," says CEO Fernando González.

But González highlights some of the potential pitfalls when a large multinational partners with a small startup. "One of the main reasons we developed this kind of autonomous unit within CEMEX is so they don't have to deal with a company that has 40,000 employees and operates around the globe," he says. By creating a separate department tasked with discovering start-ups that are "interested in our potential and how they could escalate their business through us," CEMEX hopes to simplify the process and find strong partners more quickly.

Keeping pace with customer expectations

> “As organizations expand across borders, they face new cultural complexities and the challenge of delivering a customer experience that is consistent and also locally relevant.”
>
> **Charles Krieck**
> Senior Partner, KPMG in Brazil and Chairman, KPMG in South America

The investments made to personalize the customer experience have generally delivered on the promise of growth benefits, say 88 percent of Latin American CEOs (Figure 10).

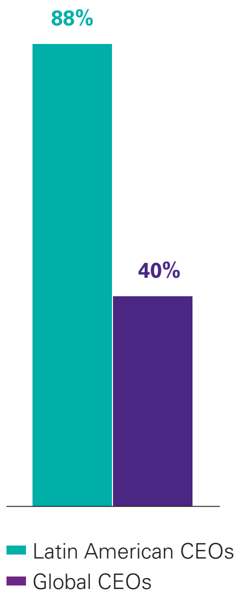
But are those investments enough? Latin American CEOs do not believe they are. In fact, only 14 percent say they are exceeding customer expectations for a personalized experience (Figure 11).

Even in emerging markets, customer expectations in many industries are moving to a regional or global standard, and companies are playing catch-up, explains Víctor Esquivel, KPMG in Mexico and Central America. Similar to global brands, regional and domestic brands are finding themselves exposed to a level of scrutiny never seen before. Customers are more aware of what is available globally, and social media gives them a voice to express their expectations. For organizations that have dominated their domestic markets in certain products and services, there is a risk to brand value if companies do not meet their customer expectations. And as organizations expand across borders, they face new cultural complexities and the challenge of delivering a customer experience that is consistent and also locally relevant, observes Charles Krieck, KPMG in Brazil and South America.

“Regional brands are more exposed to global competition and new business models, and these are disrupting even small local businesses,” says Esquivel. Yet some of these new business models are also solving longstanding issues particular to the region.

A ride-sharing service, for example, vets its drivers, and since no cash is changing hands, security concerns are diminished in dangerous environments. “Many CEOs in the region are left with the feeling that they are doing everything they can to pay

Figure 10: To date, the investments we have made in trying to personalize the customer experience have not delivered the growth benefits we are hoping for.
Percentage of respondents who answered “disagree” or “strongly disagree”



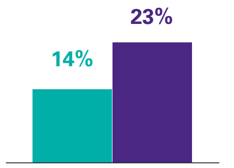
Source: 2018 Global CEO Outlook, KPMG International

> We now have information on our commercial transactions that we never had before, and with that comes the capability to offer our products and services with a growing potential for analytics and automation that could be very valuable to our customers.

Fernando González
CEO
CEMEX

Figure 11: Our organization's performance is "exceeding" or "far exceeding our customer's expectations" for a personalized experience

Percentage of respondents who answered "agree" or "strongly agree"



Source: 2018 Global CEO Outlook, KPMG International

attention to their customers, but they are still not sure if it is enough," says Esquivel.

The pressure is particularly intense in the service industry, especially when there is a global, tech-savvy client base. Aeromexico recently launched a new digital ecosystem including an all-new website, new check-in kiosks at airports, a new mobile app and a chatbot—a combination that offers an omni-channel experience to make traveling easier, explains Aeromexico CEO Andrés Conesa. The carrier also launched a tiered fare structure that offers graduated service levels, which means customers can pay for the service they want or save money by paying only for what they need. "This also allows us to offer the maximum comfort and innovation of our aircraft with competitive prices for all travellers, which translates not only to better business results, but also to improved optimization of the airline's fleet," explains Conesa.

Most customer-centric investments are still evolving—even at a big global firm like CEMEX. Recently, the company launched a B-to-B digital platform, CEMEX Go, that lets its customers do everything from exploring different solutions to managing logistics and handling payments digitally. For customers, the platform creates value by increasing productivity at the worksite. "Customers can connect with us through an app, they can automate their orders, and they can do it all in real time from start to finish," he explains. But what began as a customer-centric, minimally viable experiment has now helped CEMEX rationalize and streamline logistics and back-end processing as well as IT.

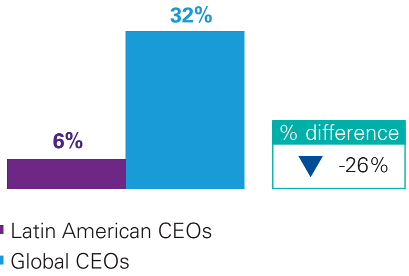
But CEMEX Go is only a starting point, says González. He recalls seeing a consumer goods presentation 5 years ago, extolling the benefits of analytics and thinking, "At first I thought, that's interesting but irrelevant for us. Then I realized that the reason these technologies seemed irrelevant is because we didn't have the data to use them," he says. "We now have information on our commercial transactions that we never had before, and with that comes the capability to offer our products and services with a growing potential for analytics and automation that could be very valuable to our customers."

On track with new technologies

Latin American CEOs seem to be piloting and implementing artificial intelligence (AI) at close to the same rate as global CEOs, but they are not as keen on robotic process automation.

Nearly two-thirds of Latin American CEOs say they are not investing in process automation compared with one-third of global CEOs. Latin American CEOs also do not plan to invest in predictive models and analytics at the same rate as their global counterparts (Figure 12).

Figure 12: Over the next 3 years, we will increase our usage of predictive models or analytics



Source: 2018 Global CEO Outlook, KPMG International

Charles Krieck, KPMG in Brazil and South America, observes that many Latin American companies tend to invest in new technologies that have passed the 'beta' stage, with the expectation of deploying them in the short term. This may help explain why, where they are investing, Latin American CEOs are almost universally looking for a faster return on investment in digital transformation and AI than their global counterparts. For example, 55 percent expect a return on digital transformation within 12 months, while the majority of global CEOs (57 percent) don't expect returns until as long as 3 years (Figure 13).

On the surface, these expectations of fast returns might indicate a tactical rather than a strategic approach to some of these game-changing technologies. Not so, says Pedro Melo, KPMG in South America. "Latin American CEOs are investing in some of the same technologies as companies everywhere" he says. "At the same time, higher capital costs in Latin America mean that board members would expect any investment to yield a faster return or a higher return than in a lower-cost environment."

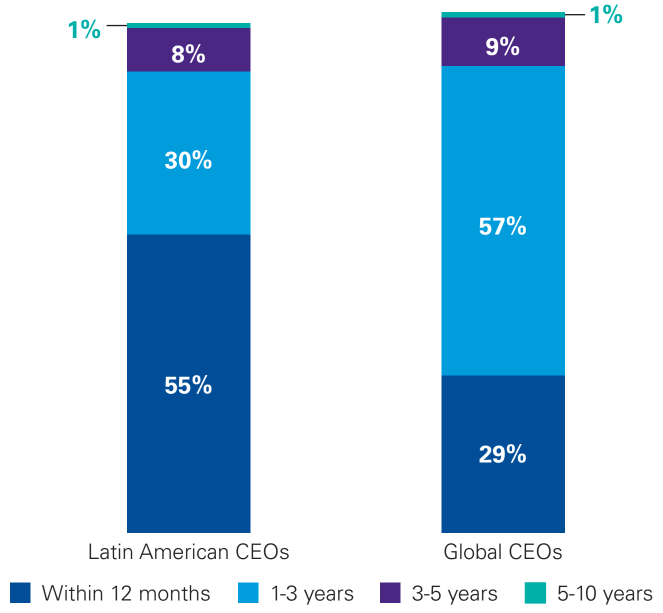
Also, "when CEOs in Europe or the U.S. invest in new technology, the improvements might be incremental," says Melo. In Latin America, where technology may be replacing structural inefficiencies or a high-cost process, the savings can be more immediate and more profound.

In fact, Latin American CEOs are being very strategic in their use of digital technology wherever they can to overcome a lack of infrastructure, to mitigate safety concerns and to reach customers outside of the formal economy—particularly those outside of the banking system.

"We have been seeing CEOs investing in analytics—particularly AI—to reduce

> "In Latin America, where technology may be replacing structural inefficiencies or a high-cost process, the savings can be more immediate and more profound."
>
> **Pedro Melo**
> Chief Operating Officer
> KPMG in South America

Figure 13: Over what time period do you expect to see significant return on investment from digital transformation?**



** 6 percent of Latin American CEOs answered "we have already achieved a significant return on investment", compared to 4 percent of their Global peers.

Source: 2018 Global CEO Outlook, KPMG International

> "We have been seeing CEOs investing in analytics—particularly AI—to reduce the lack of sophistication in many markets."
>
> **Víctor Esquivel**
> Senior Partner
> KPMG in Mexico and Central America

the lack of sophistication in many markets," says Víctor Esquivel, KPMG in Mexico and Central America. For example, retailers that are tapping into a network of warehouses to make deliveries and accept payments for customers without bank accounts. These distribution networks are already employing technology to make deliveries more efficient by accounting for inventory, traffic and weather. Digital technology and analytics are also helping these companies expand their customer base by supporting collection and payment systems. Eventually, predicts Esquivel, FinTech may bring more benefit to the unbanked in Latin America by helping establish a credit record based on purchases and repayments for informal workers who cannot prove a steady income.

Rising cybersecurity risk

> “It is a battle that is fought daily … I think we have proper protection, but the risk is increasing precisely because of new technologies.”
>
> **Fernando González**
> CEO
> CEMEX

CEOs in Latin America are experiencing a renewed urgency around cyber risk.

They named cybersecurity as the greatest risk they face in the near term, with emerging technology risk a distant second and operational risk a distant third (Figure 14). At the same time, 78 percent of Latin American CEOs feel well prepared for a future cyberattack—much higher than the 51 percent of global CEOs who feel the same.

Figure 14: Which of the following risks poses the greatest threat to your organization’s growth?

Percentage of respondents selecting each risk as posing the greatest threat to their organization’s growth

Latin American CEOs

1	Cybersecurity risk	29%
2	Emerging/disruptive technology risk	17%
3	Operational risk	14%
4	Talent risk	11%
5	Regulatory risk	8%

Global CEOs

1	Climate change risk	22%
2	Emerging/disruptive technology risk	20%
3	Cybersecurity risk	16%
4	Return to territorialism	16%
5	Operational risk	12%

% respondents

Source: 2018 Global CEO Outlook, KPMG International

“It is a battle that is fought daily,” says CEMEX CEO Fernando González. “My concern is not the current scheme we have. I think we have proper protection, but the risk is increasing precisely because of new technologies,” he says.

“There is a connection between emerging technology risk and cyber risk,” says Pedro Melo, KPMG in South America. CEOs are much more focused on emerging technology in their day-to-day decision making, but they are much more worried about cyber risk.

Global attacks are also striking fear in boardrooms, as Latin American companies deploy some of the same technologies that cyber thieves have targeted abroad. There may be a sense that the risk is greater in Latin America because investments in security and infrastructure have not kept up with other regions, he explains. Yet the lag time for cyber risk in Latin America versus the rest of the world feels as if it is disappearing, while the potential impact of a crippling attack increases every day.

Conclusion

This year's Latin America CEO Outlook finds executives focused on the positive: a move away from populist politics, and a global economy in sync with an economic recovery across most of the region—particularly for the middle class.

CEOs continue to invest in digital transformation, AI and a more personalized customer experience but in a very different environment than their global counterparts. The relatively high cost of capital and the fluctuating currencies in the region mean that any investment in disruptive technologies must meet a high standard for returns in the long and short term.

CEOs look to emerging technologies as a means to overcome some intractable problems in the region: namely, security and lack of infrastructure. New technologies bring new risks: cybersecurity, the risk of investing in the wrong technology, the continuing disruption of business models seen across the globe and the need to develop the kind of talent and expertise that many CEOs in other regions take for granted.

However, technologies that may offer only marginal improvement in other parts of the global business world have the potential for far more significant gains in Latin America. There are benefits to standing slightly back from the cutting edge, but there is also runway for CEOs to accelerate investments in strategic talent, collaboration, and digital technologies that tend to lag the global average. CEOs' robust confidence in the region's continued economic recovery should provide a catalyst to unlock this promise.

"With such unique political, economic, and cultural currents in each country, and some challenging recent chapters in a number of those countries, it is heartening that our 2018 survey finds Latin American CEOs in a moment of shared optimism: 40 percent of them identified Central and South America as the top emerging market for expansion in the next 3 years.

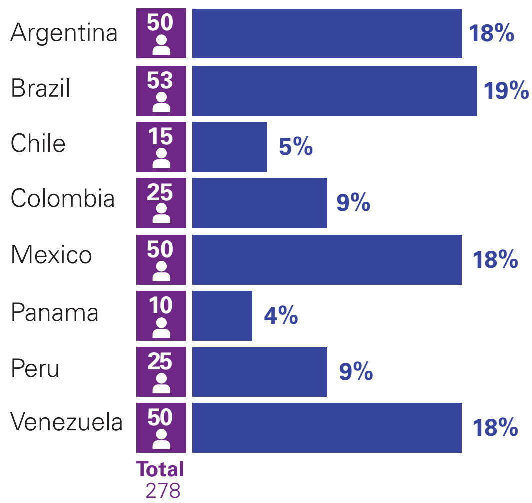
Indeed, their confidence is shared by Global CEOs who also identified expansion into emerging markets as a priority, with Central and South America as their top pick – a further sign of Latin America's growing global influence."

Rob Brouwer
Regional Head of Markets
KPMG in the Americas Region

About the research

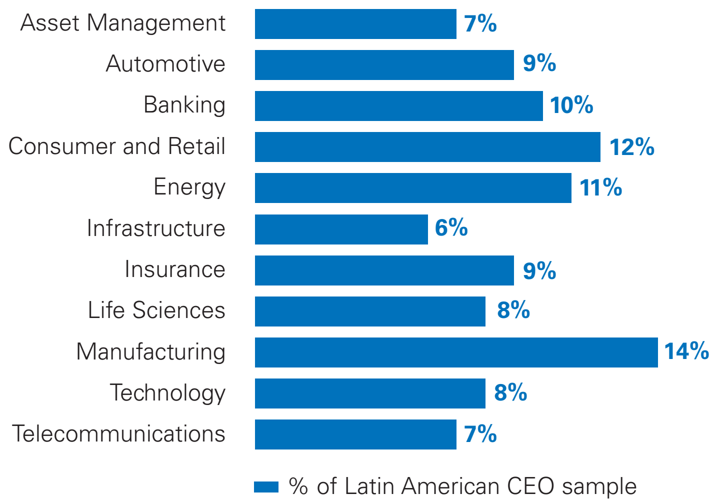
Research for KPMG International's Global CEO Outlook 2018 was conducted by Forbes Insights between 22 January and 14 March 2018. This report, which focuses on Latin America, references two groups:

1. 'Latin American CEOs' refers to a grouping of 278 CEOs from the following countries:



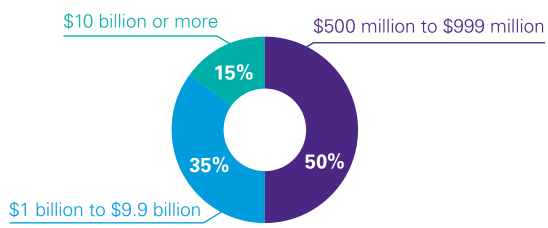
Source: 2018 Global CEO Outlook, KPMG International

The Latin American CEOs represented organizations from across a wide range of sectors, as follows:



Source: 2018 Global CEO Outlook, KPMG International

Latin American CEOs' organizations by revenue (in USD)



Source: 2018 Global CEO Outlook, KPMG International

2. 'Global CEOs' refers to a grouping of 1,300 CEOs from 11 countries, including Australia, China, France, Germany, India, Italy, Japan, the Netherlands, Spain, the UK and the U.S.

   Their businesses range across 11 industry sectors, including asset management, automotive, banking, consumer and retail, energy, infrastructure, insurance, life sciences, manufacturing, technology and telecoms.

   They were surveyed between 22 January and 27 February 2018.

Acknowledgments

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

David Bojanini
CEO,Grupo Sura

Andrés Conesa
CEO, Aeromexico

Fernando González
CEO, CEMEX

Suzan Rivetti
Company Group Chairman, Johnson & Johnson (J&J) Brazil

Charles Krieck
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Designed by Evalueserve.

Publication name: Geared for growth: Latin America's CEOs prepare for a more integrated future

Publication date: May 2018