



2024 KPMG CEO Outlook



Overview

CEOs' primary focus today remains anticipating and staying ahead of the compounding and interrelated risks that threaten the short-term profitability and long-term prosperity of their businesses. KPMG coined this phenomenon compound volatility: the combination of near-term risks to growth and structural changes to the US economy that raise the cost of doing business with little margin for error on strategy development and execution.

Our latest edition of the KPMG CEO Outlook analyzed insights from more than 1,300 CEOs at large companies globally, including 400 in the United States, to evaluate how they are continuing to navigate the challenge of compound volatility.

CEOs are strategically allocating capital to address near-term risks such as cyber and geopolitics that can cause abrupt business disruption in the short term, while making long-term investments in generative artificial intelligence (GenAI) and mergers and acquisitions (M&A) to spur future growth.

CEOs desire to pursue M&A—it's their most important strategy to achieve their organization's growth objectives over the next three years. They are poised to seize opportunities that will drive growth and transformation for their organizations despite changing market dynamics. M&A continues to be a strategic avenue for CEOs to adapt, innovate, and create value.

Some CEOs are unsure if their organization's cybersecurity can keep pace with rapid AI advancements and whether they will be able to secure the talent and solutions they need to defend against AI threats. Many don't feel their organizations are well prepared for a cyberattack. As a result, CEOs are increasing their investments in cybersecurity to protect their operations and IP from AI threats.

The race to embrace and embed GenAI is top of mind for CEOs. It remains a top investment and operational priority, with CEOs expecting increased innovation and upskilling the workforce for future readiness, in addition to increased productivity, to be the top benefits.

Pressure to unlock value from GenAI investments is intensifying, while CEOs continue to prioritize its ethical and effective use. CEOs are working to keep pace, and they are focused on the long-term strategic considerations, including its potential to disrupt their business, reshape the competitive landscape, and develop new business models and revenue streams.

The majority of US CEOs see return on investment (ROI) on GenAI coming in three to five years. They are navigating implementation challenges related to data readiness, workforce readiness, governance readiness to ensure responsible use, and lack of regulations.

CEOs are addressing structural changes such as a dynamic labor market and potential policy shifts on the regulatory and tax side. They increasingly favor a comprehensive return to office, but the need for flexibility still holds. CEOs predict GenAI will have little impact on the number of jobs within their organizations but recognize this technology will drive a shift in the way we work, requiring workforce upskilling and better resource management.

In the midst of compound volatility, CEOs are not only navigating risks and making strategic investments, but they are also leaning into their values and acting with purpose, ensuring that their decisions contribute to the long-term prosperity and sustainability of their businesses.

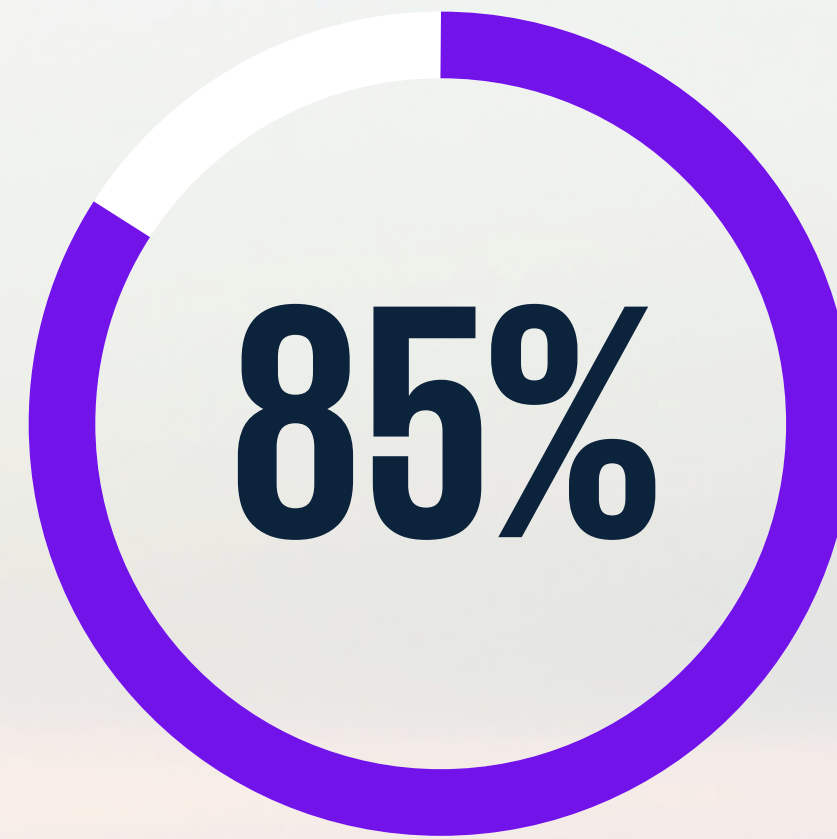
Paul Knopp
KPMG US Chair and CEO



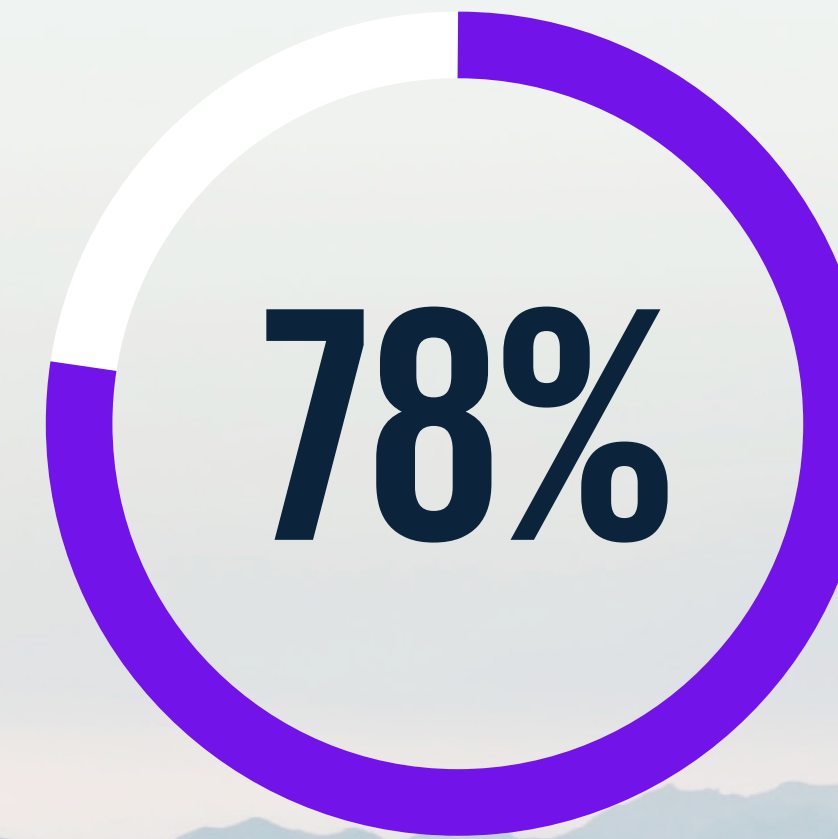
Economic outlook and business environment

CEOs are confident in the long-term growth prospects for their companies against a backdrop of cybercrime, economic uncertainty, geopolitics, and political uncertainty.

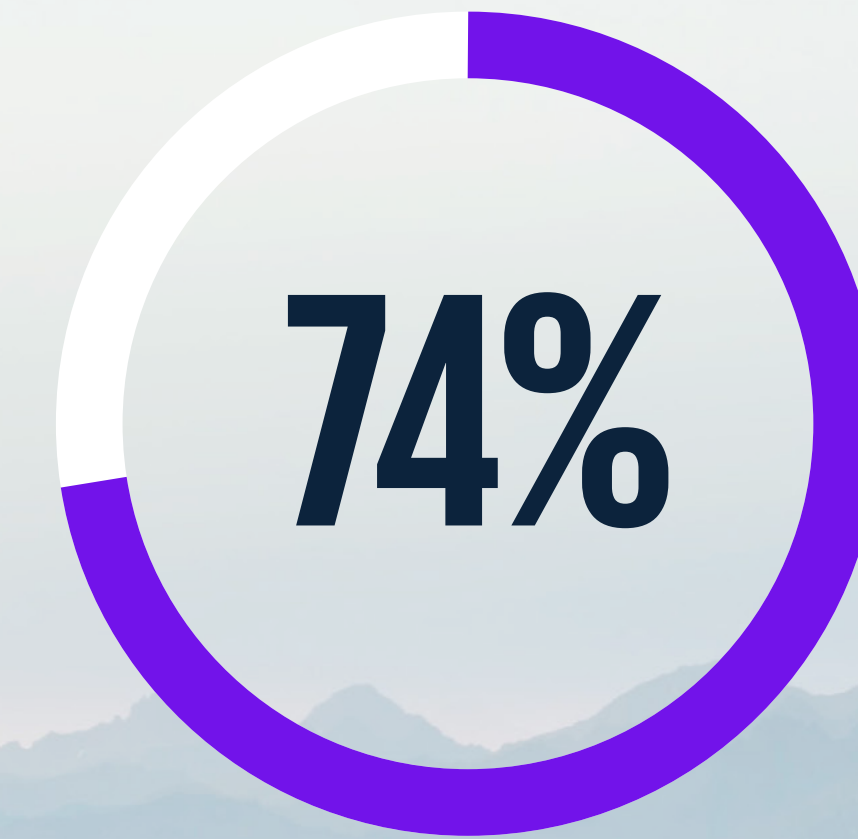
For the next three years, US CEOs are confident in the growth prospects for:



Their country



Their company



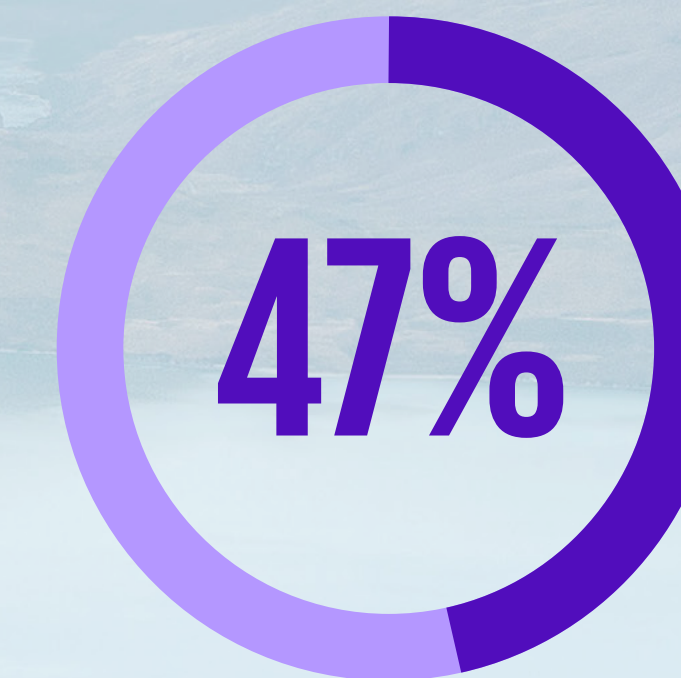
The global economy

CEO perspectives on the top risks they see for their organizations reveal the impact of increased disruption and the challenges of navigating long-term structural change.

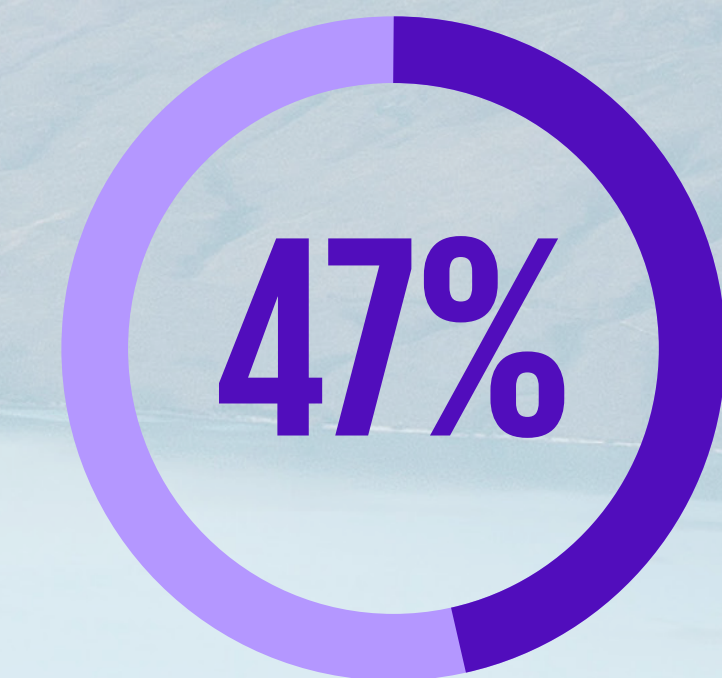
CEOs identify the following as challenges top of mind right now:



The race to embrace and embed Generative AI (GenAI) and other technologies

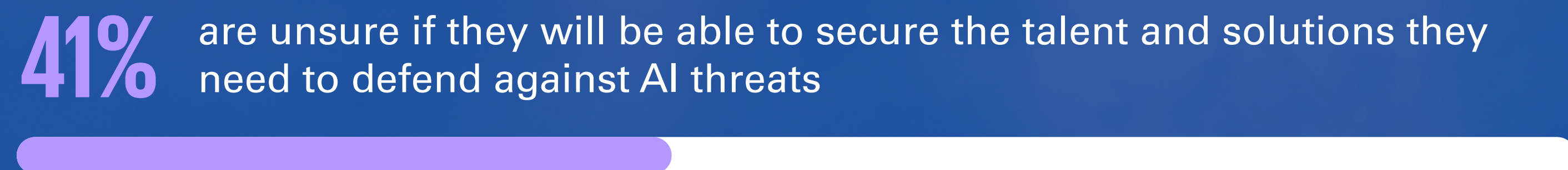
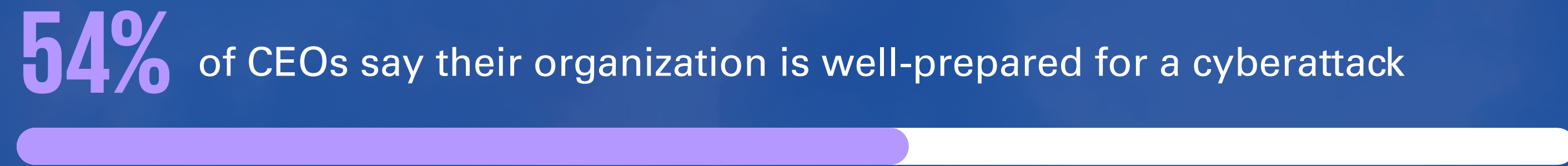


Geopolitical complexities



Economic uncertainty

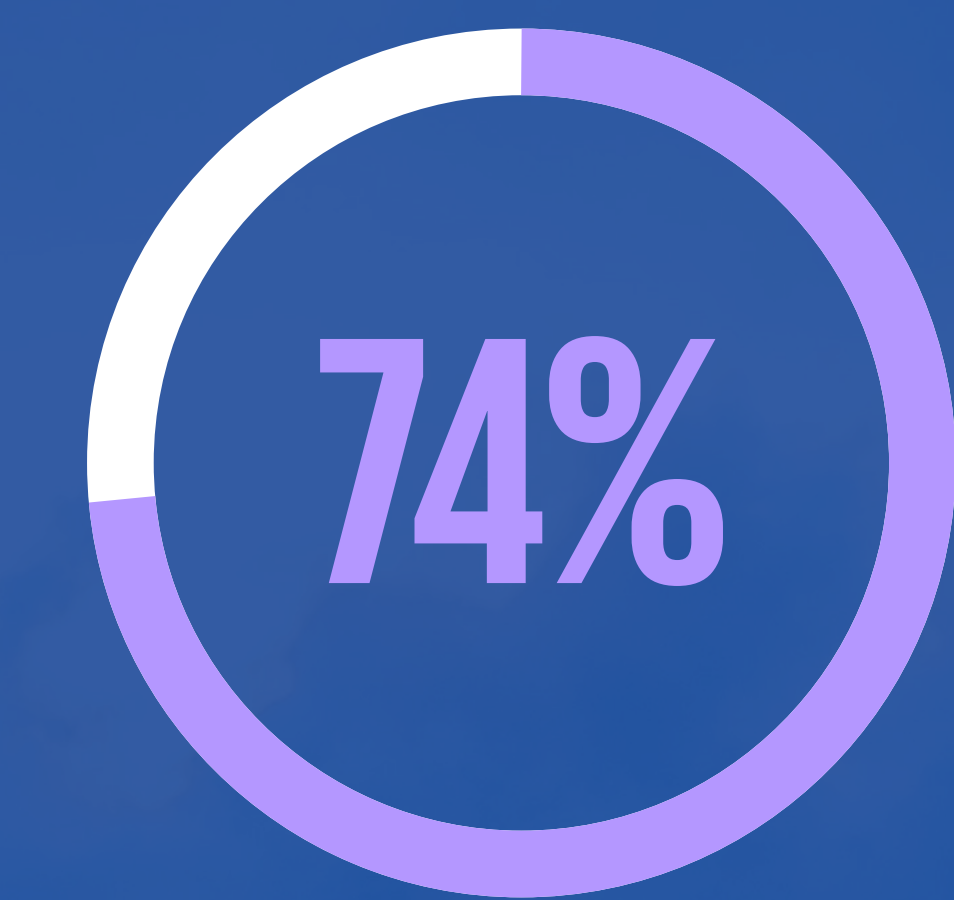
When asked to identify the top trends that could negatively impact their organization's prosperity over the next three years, US CEOs most highly ranked the **cost of living, cybercrime and cybersecurity issues, and talent.**



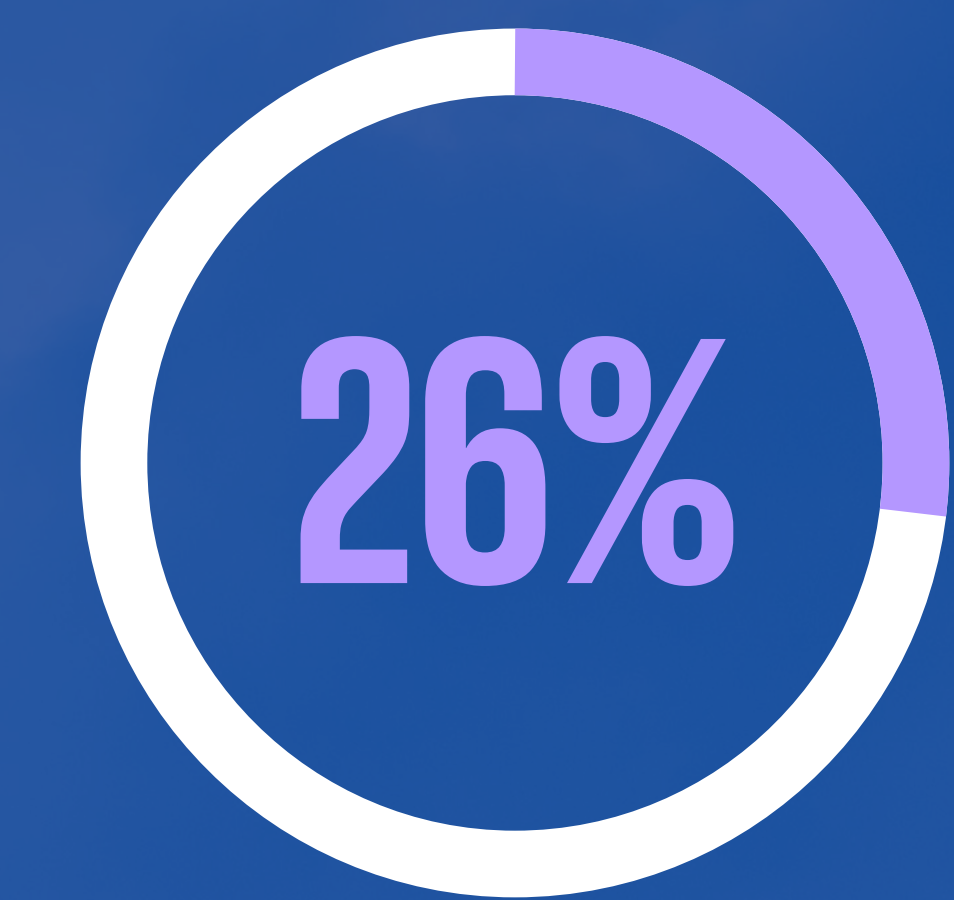
US CEOs cite **geopolitics and political uncertainty, supply chain, and operational issues** as the top risks posing the greatest threats to growth over the next three years.



As a result of these interrelated challenges:

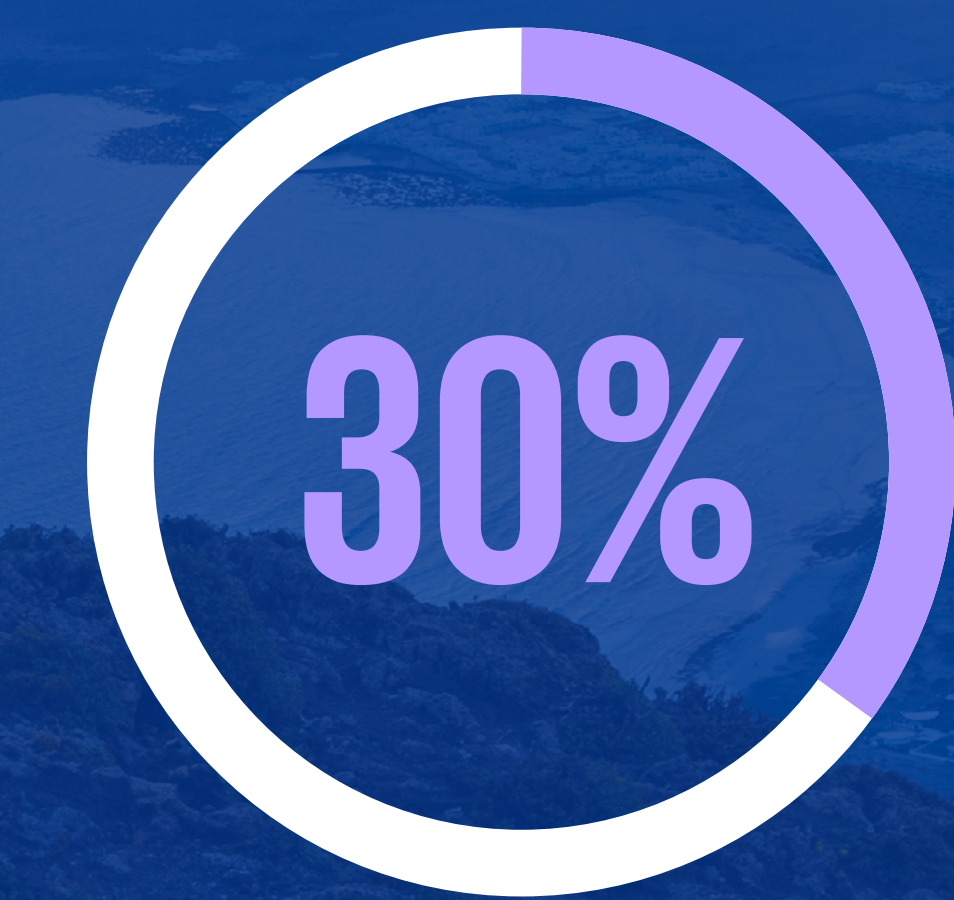


of CEOs say they have already adapted their growth strategy

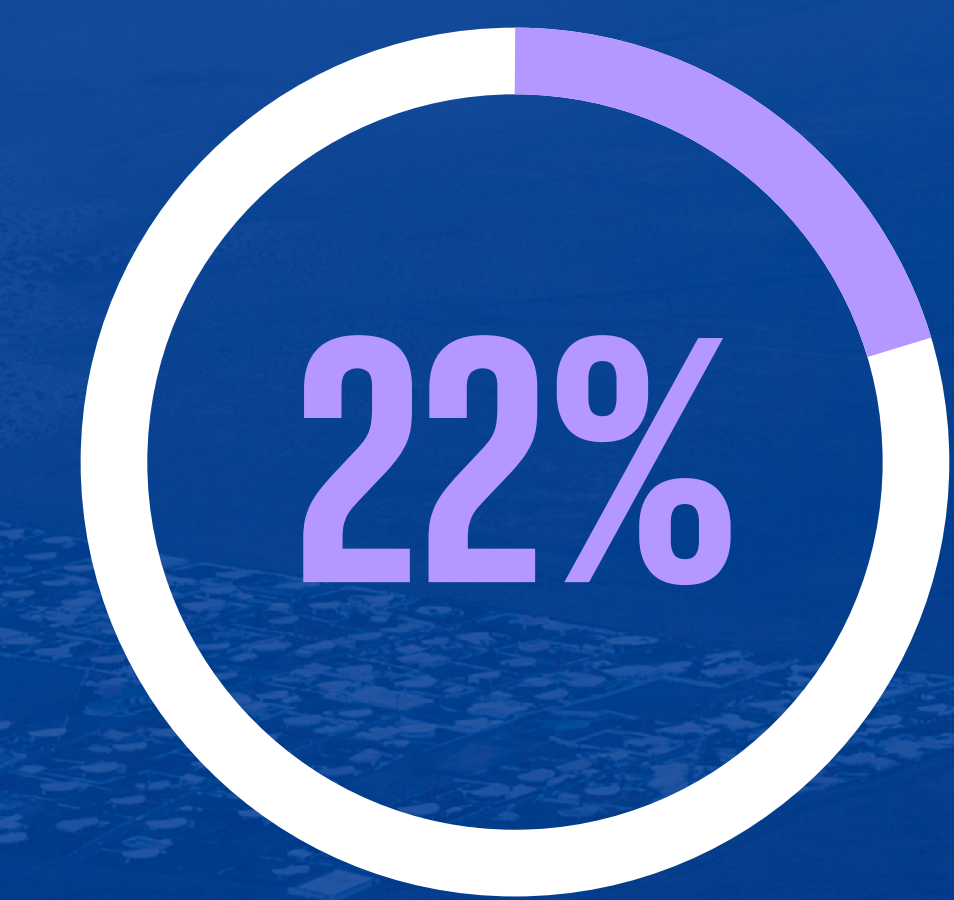


plan to do so but haven't yet

CEOs identify the following as the most important strategies for achieving their organization's growth objectives over the next three years:



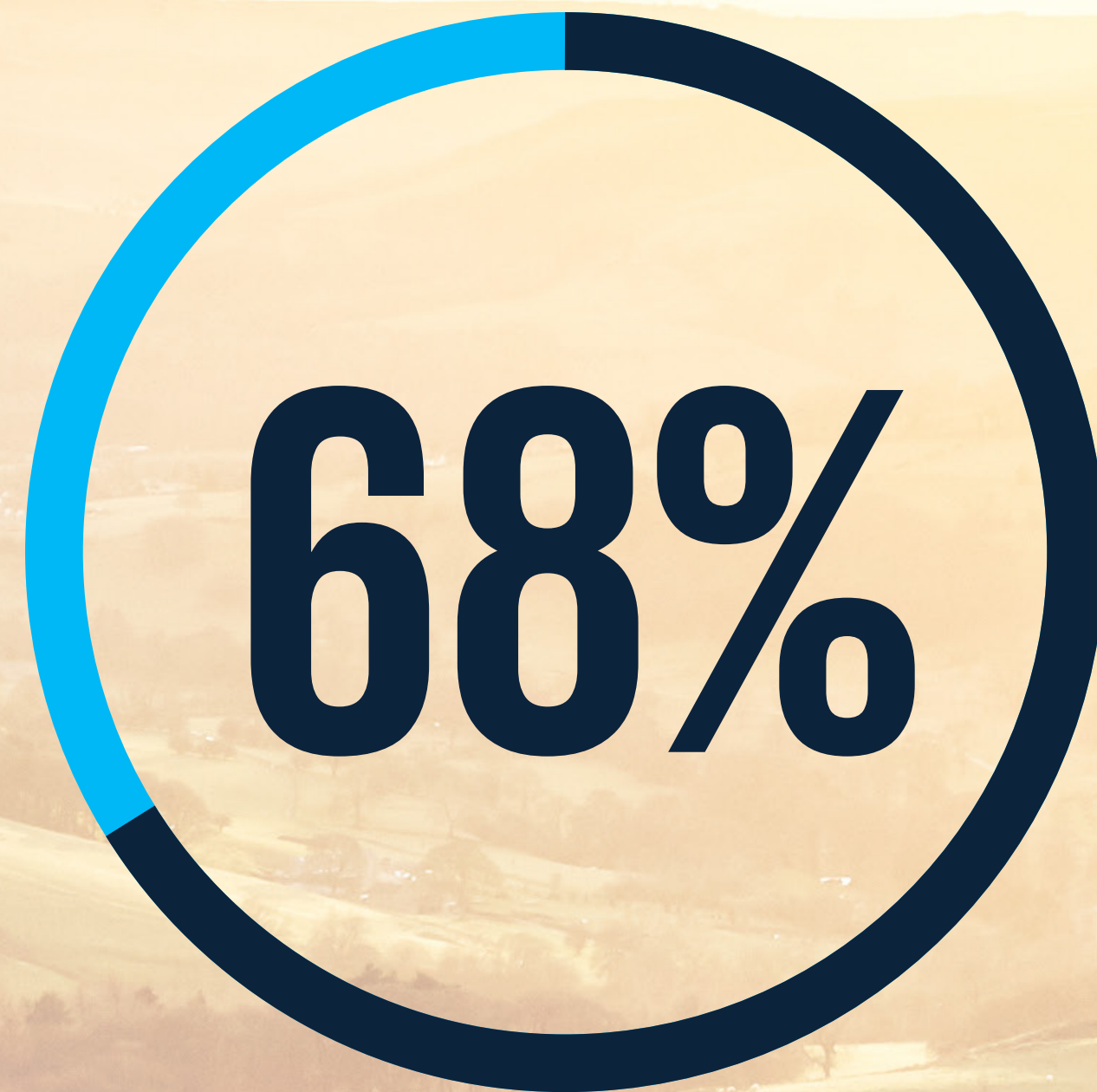
M&A



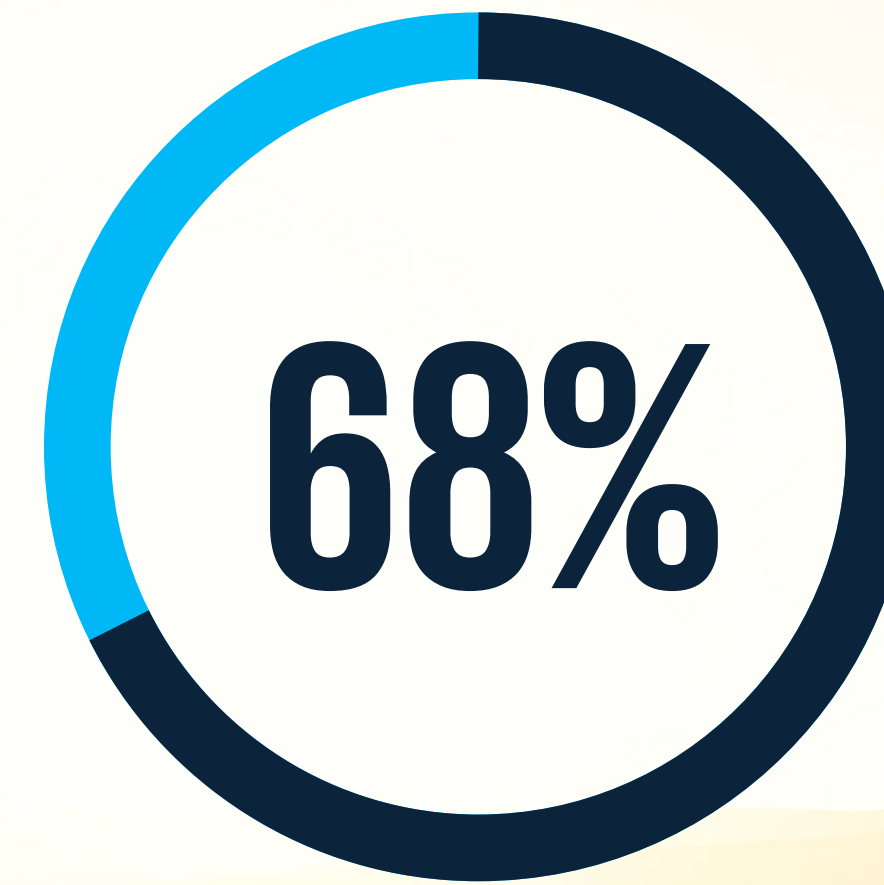
Organic growth

Generative AI

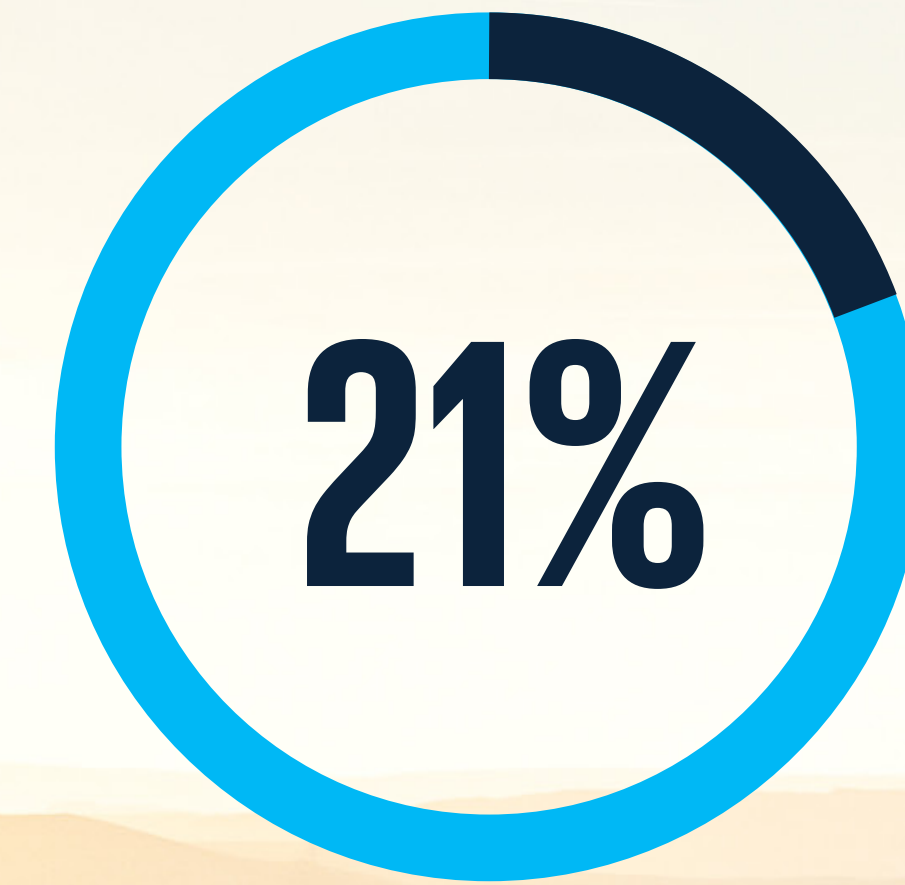
GenAI remains a top investment priority, but data, workforce, and governance readiness along with a lack of regulations are implementation challenges.



of US CEOs say GenAI is a **top investment priority** despite uncertain economic conditions.



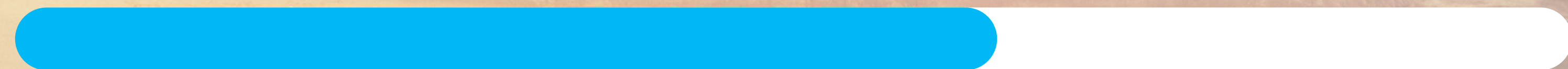
of CEOs expect to see return from their investments in GenAI in **three to five years**



of CEOs expect to see returns in just **one to three years**

When thinking about their growth and transformation objectives, the majority of CEOs are placing capital investment in:

buying new technology **60%**



developing their workforce's skills and capabilities **40%**



When asked to **identify the top benefit of implementing GenAI** in their organization, CEOs cited:

-  Increased efficiency and productivity through automating routine operations
-  Upskilling the workforce for future readiness
-  Increased innovation

CEOs most frequently identify these top three functional areas where their organization will make GenAI investments over the next three years:



When asked to identify the biggest challenges when it comes to implementing GenAI, CEOs identified:



CEOs express low levels of confidence that:



They will have their data ready to safely and effectively integrate GenAI



Their employees have the right skills to fully leverage the benefits of GenAI

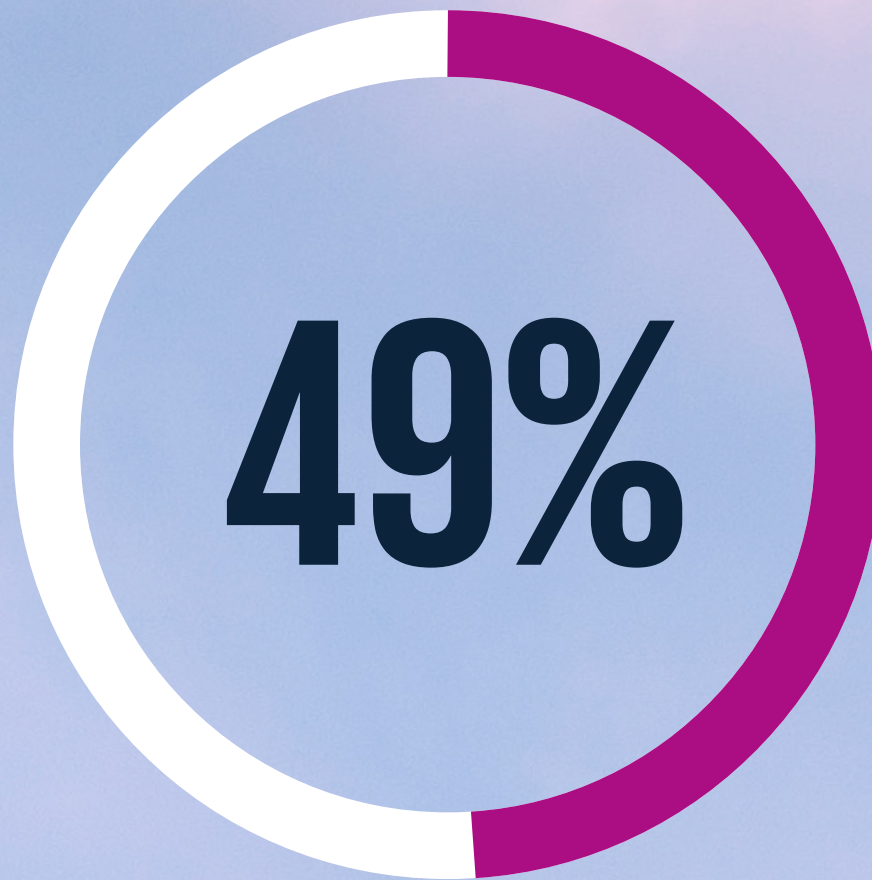


Their organization is ready to safely deploy and integrate GenAI with robust governance frameworks

US CEOs cite **advancing digitization and connectivity** across the business as their top operational priority to achieve their growth objectives over the next three years followed closely by their **employee value proposition to attract and retain top talent.**

Mergers & acquisitions

CEOs desire to pursue M&A, but their timeline remains on the horizon.



of US CEOs indicate they have a high M&A appetite and will likely undertake acquisitions that have a significant impact to their overall organization over the next three years



plan to make acquisitions that will have a moderate impact to their organizations



of CEOs say their organization will wait until the second half of 2025 to seriously pursue new dealmaking



say they are waiting until 2026 and beyond



of CEOs say their organization will not make significant investment decisions such as major capital expenditures and M&A activity until after the 2024 US presidential election in November



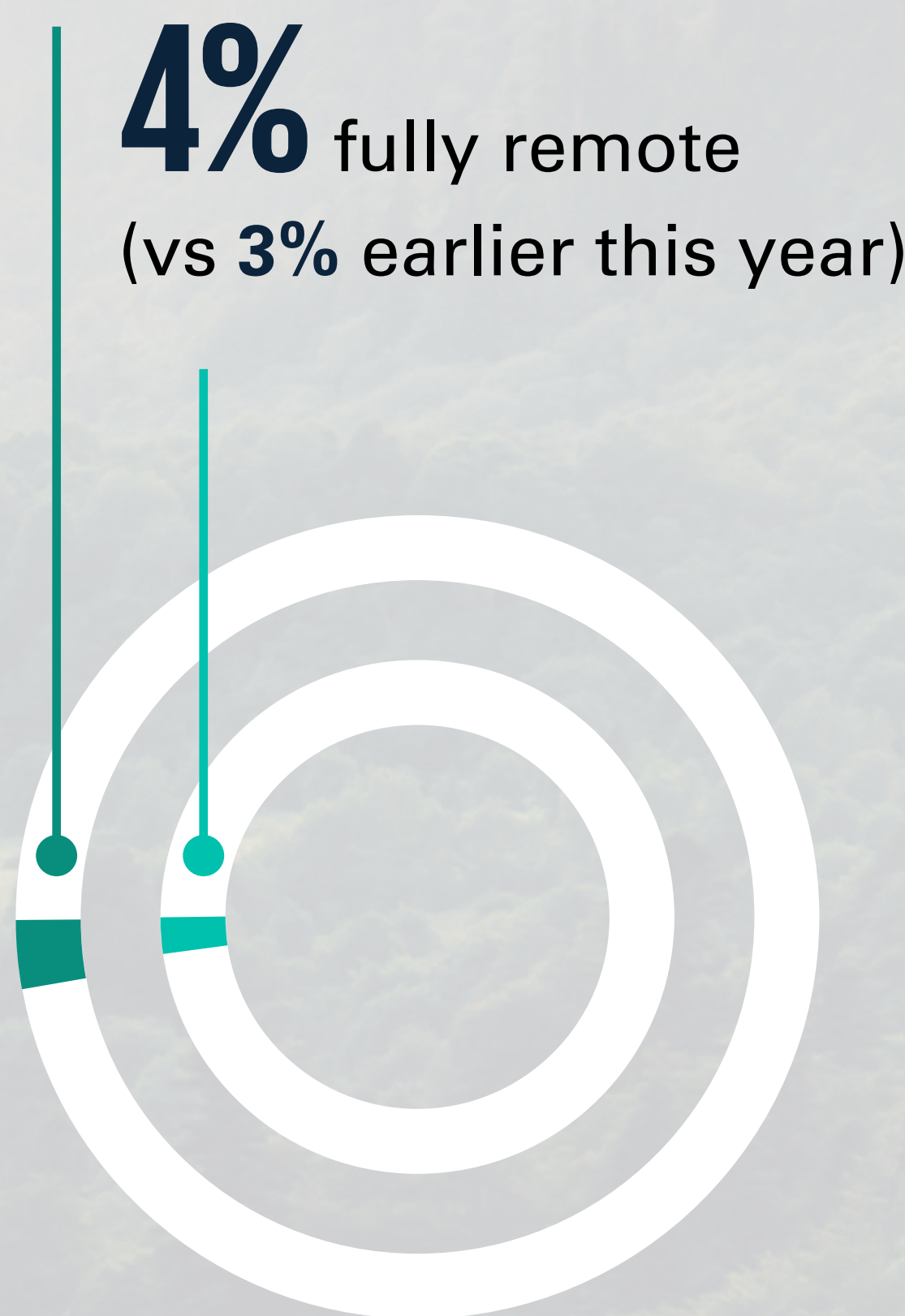
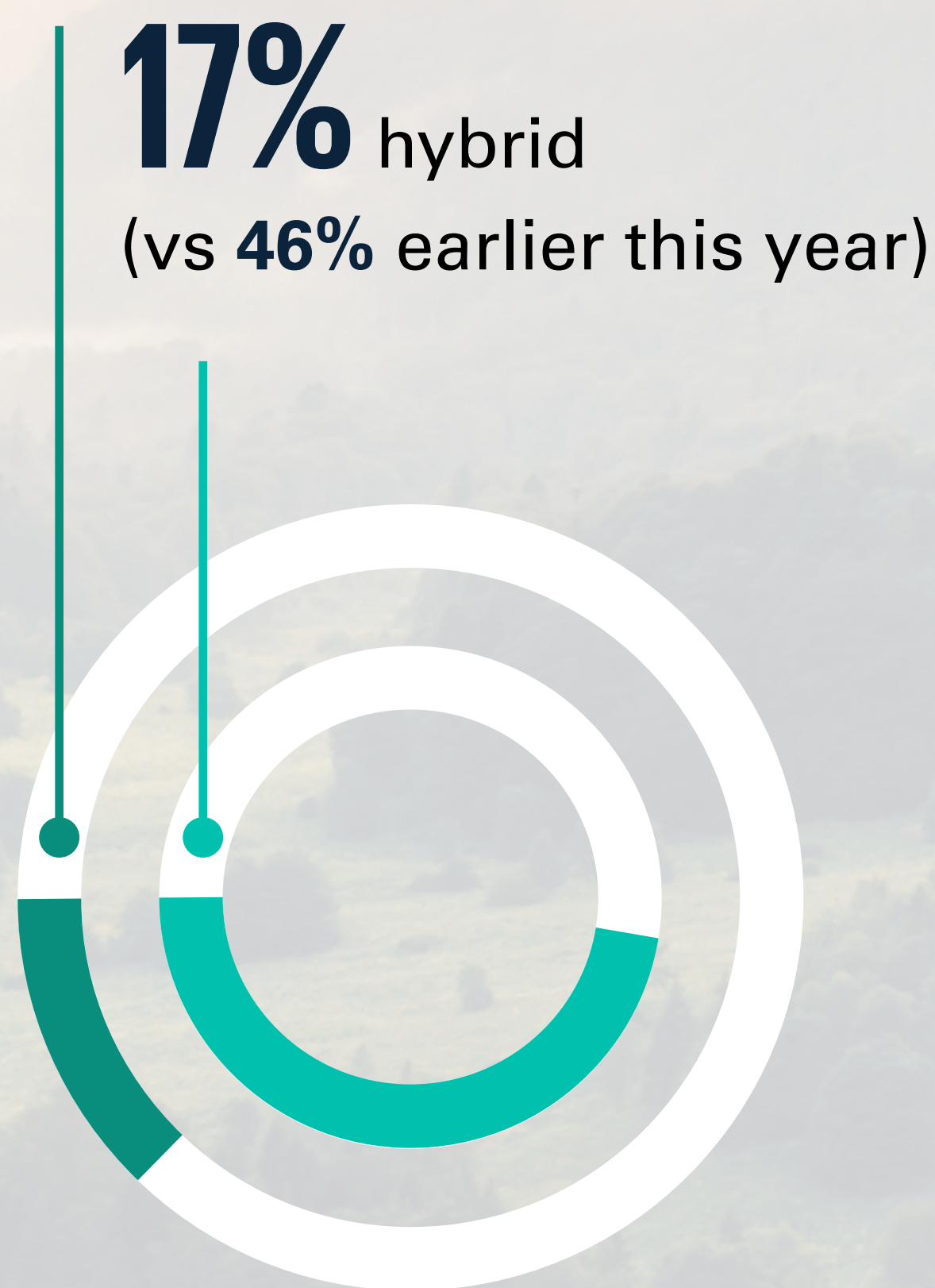
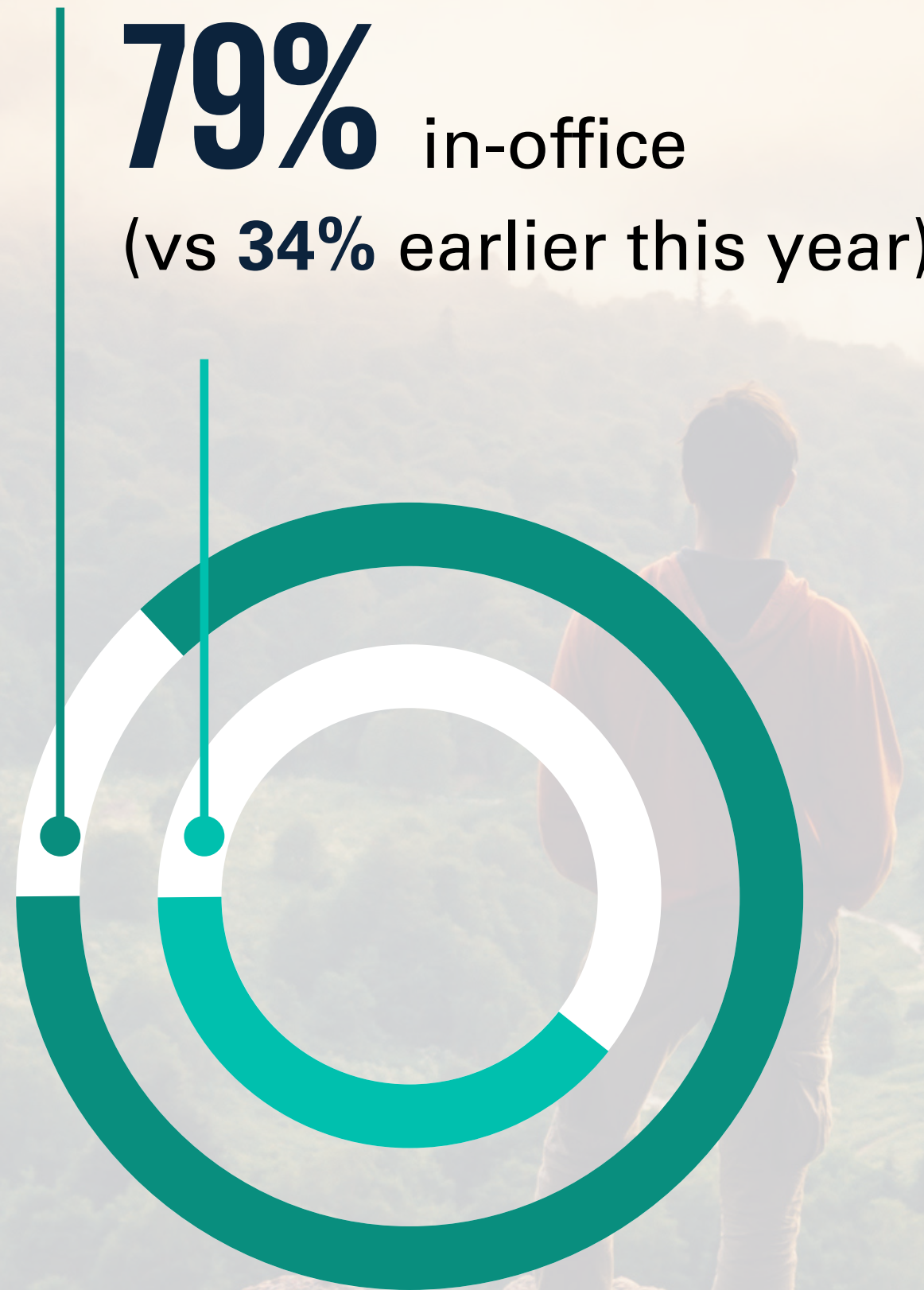
Talent and culture

CEO sentiment related to a full return to office soars; they predict GenAI will have little impact on the number of jobs but will require upskilling and better resource management.



say they will reward employees who make an effort to come into the office with favorable assignments, raises, or promotions

CEOs envision the working environment for corporate employees to shift over the next three years:



89% of CEOs see an aging workforce, in particular, impacting their organization's employee recruitment, retention, and overall culture

32% of CEOs identify the number of employees retiring coupled with a lack of skilled workers to replace them as the factor having the largest impact on their company

72% of CEOs say GenAI will not fundamentally impact the number of jobs but will require upskilling and existing resources to be redeployed

27% of CEOs say it will create more jobs than it eliminates

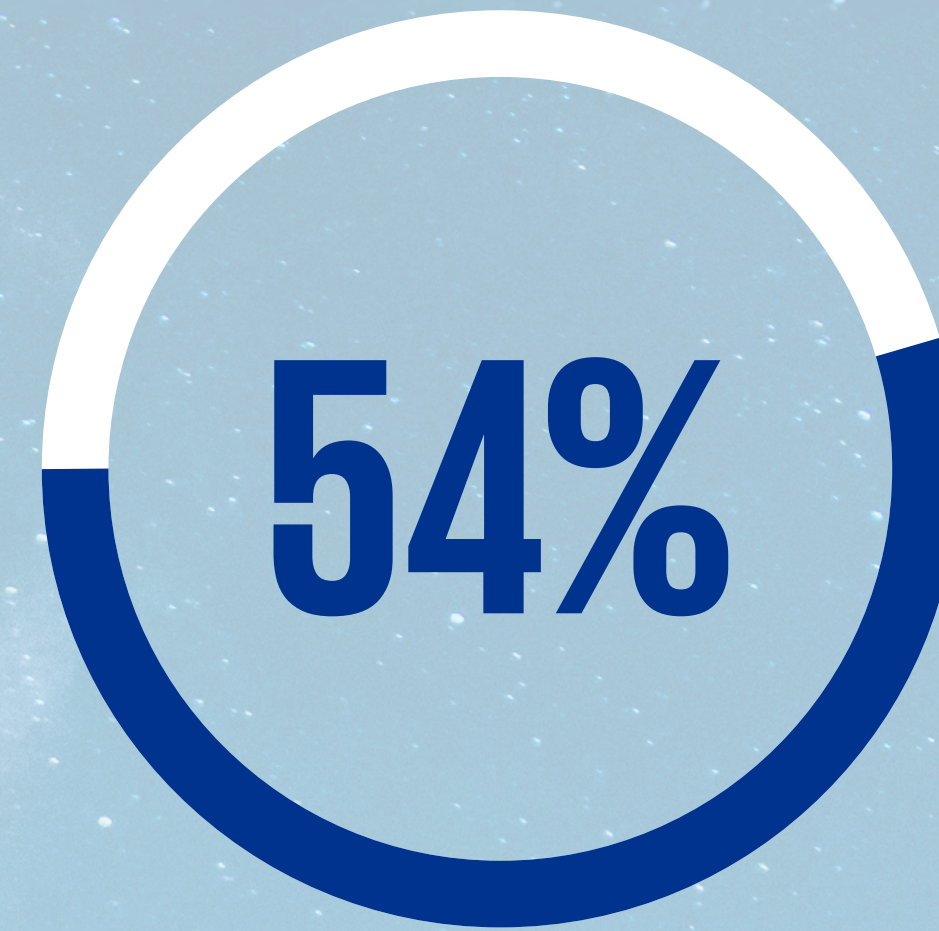


of CEOs believe organizations should invest in skills development and lifelong learning in communities to safeguard access to future talent



Sustainability

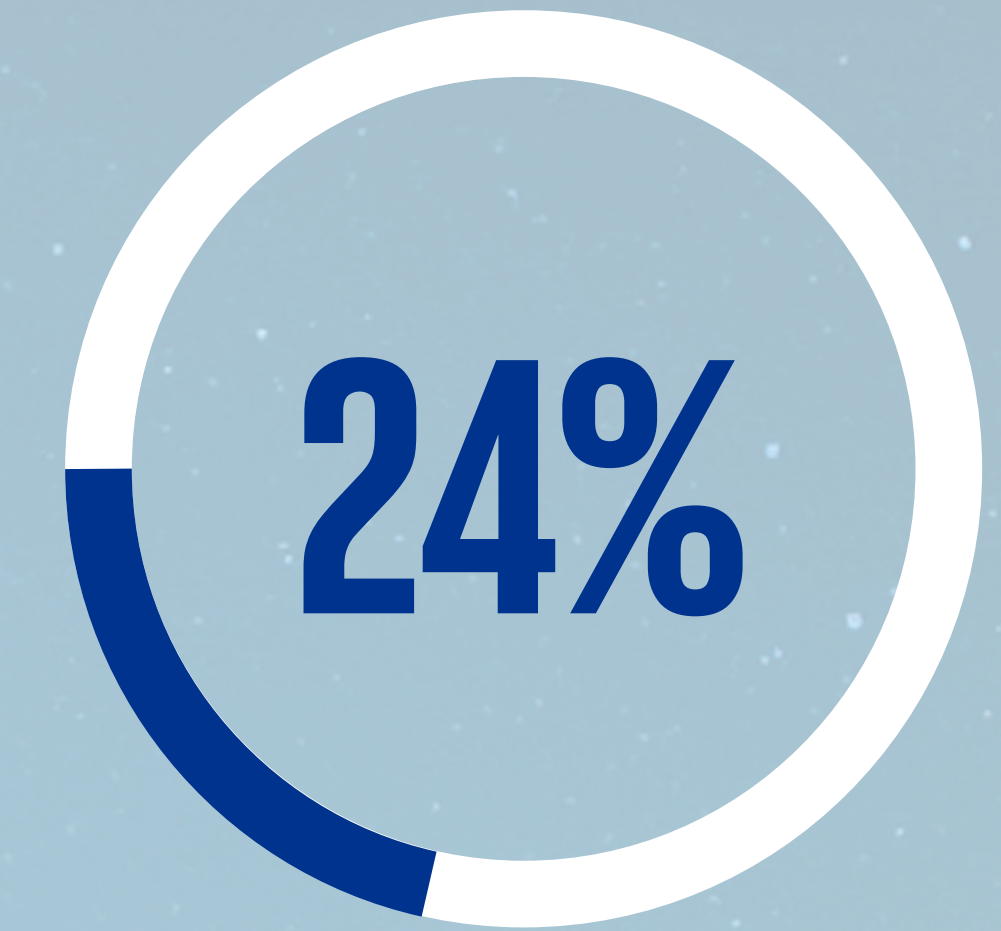
CEOs aren't confident they will meet their net-zero goals due to decarbonization challenges, but commitment to pushing forward with climate-related strategies remains.



of CEOs are confident that their organizations will be able to meet their net-zero goals by 2030

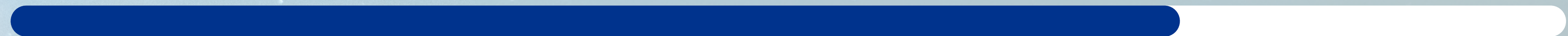


of CEOs cited the complexity of decarbonizing supply chains as a major barrier to meeting their net-zero goals



of CEOs cited a lack of skills and expertise to successfully implement solutions as a major barrier to meeting their net-zero goals

74% of US CEOs see their ESG strategy having the greatest impact on driving financial performance in the next three years





60% of US CEOs expect to see significant returns from their ESG investments in the next **three to five years**

24% of US CEOs expect to see significant returns from their ESG investments in the next **one to three years**

70% of CEOs say they remain committed to their climate-related strategies, but they are adapting how they communicate it to meet changing stakeholder needs

27% of CEOs say they have evolved their strategies to meet changing stakeholder needs



About the KPMG CEO Outlook

The KPMG CEO Outlook provides an in-depth three-year outlook from global executives on enterprise and economic growth.

The report surveyed 1,325 CEOs in 11 key 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).

All respondents have annual revenues over US\$500M and more than one-third of the companies surveyed have more than US\$10B in annual revenues. The survey was conducted between July 15 and August 29, 2024.

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