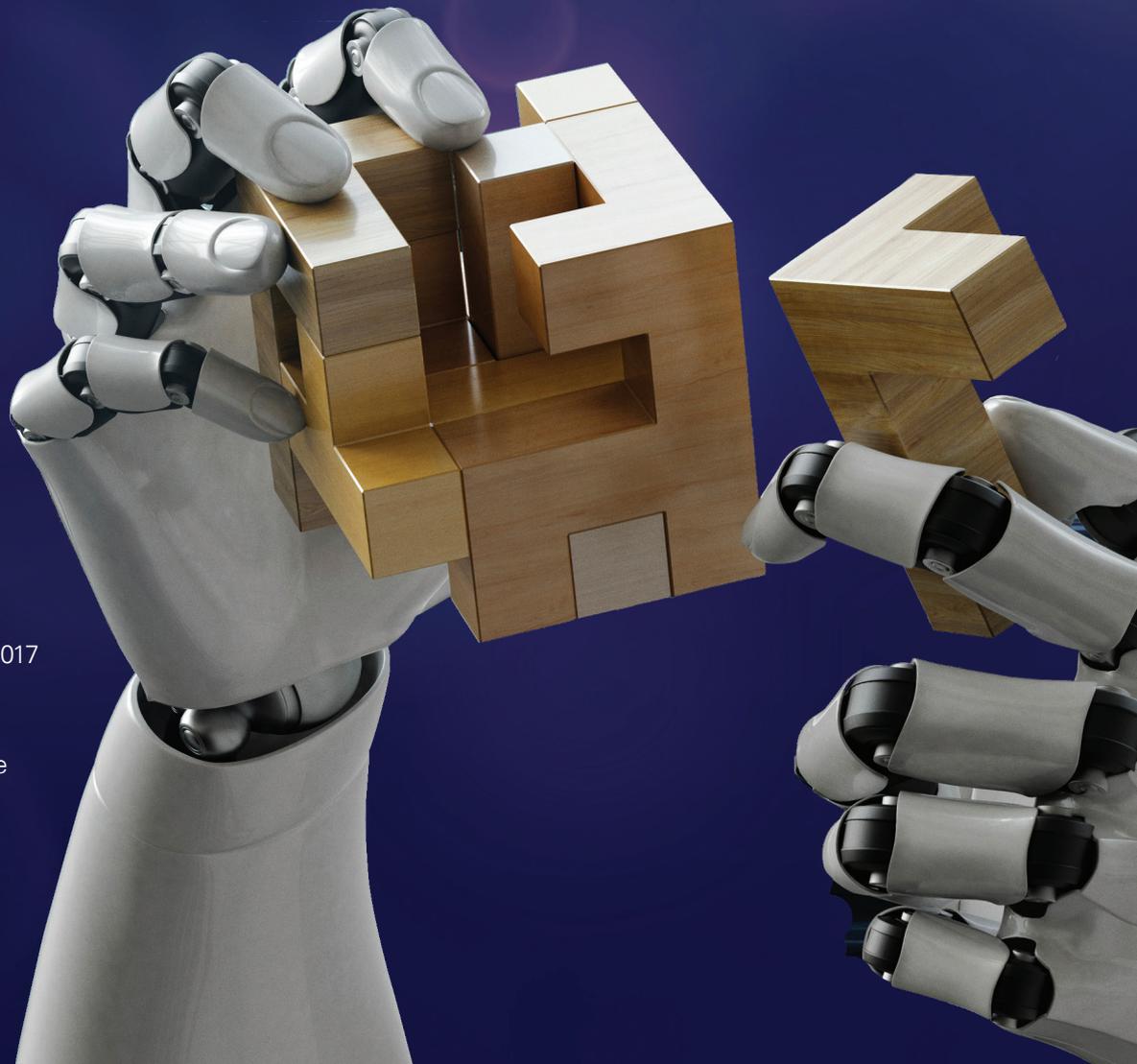




# Disrupt and grow

**2017 UAE CEO Outlook**

KPMG Lower Gulf



September 2017

[kpmg.com/ae](http://kpmg.com/ae)

# Foreword

**Welcome to the 2017 edition of the UAE CEO Outlook, offering insights into the views of CEOs in the UAE leading some of the region's largest businesses.**

Similar to last year's report, the 2017 UAE CEO Outlook follows the release of the KPMG Global CEO Outlook, which garnered the views of over 1200 global CEOs. A GCC version of the CEO Outlook will also be released early October 2017.

The CEO Outlook offers a unique perspective on the strategic business issues CEOs are focusing on every day, as they lead their businesses through a period of unparalleled change and opportunity.

Last year's survey suggested that it was "Now or Never" for CEOs to make transformative changes and 12 months on, while much has changed, it's clear that the journey of transformation and change is an ongoing one. The CEOs we spoke with are proud of their accomplishments over the past year – but remain firmly focused on the challenging business issues they face. They are having to think in new and innovative ways about the disruptive forces impacting their businesses. It is very clear that while CEOs face new challenges and uncertainties, they are increasingly focused on driving growth by exploiting those disruptions.

Disruption is a fact of life for UAE CEOs. They - and their businesses – must continuously respond to increasing uncertainty. However, the CEOs we have engaged with see opportunity where others may see risk and see possibilities for growth where others see challenges.

CEOs, by their very nature, tend to be confident. In a region which is itself built on the ability to conceive and achieve the seemingly impossible, it is not too surprising that we see high levels of confidence in the UAE-based CEOs we have spoken to. Without exception, all of them were unanimous in their view that their respective companies would grow over the next three years.

Despite a lower oil price, a new tax regime and geopolitical issues, 94% of CEOs hope to experience growth in their own industry, far outstripping the global view of 71%.

Interestingly, the UAE CEOs are less confident when it comes to global economic growth, with just over half of them anticipating some level of growth.

The CEOs recognize that their businesses are constantly evolving in a rapidly changing global economy. They are increasingly expected to develop new skills and expertise in areas which traditionally were not part of their portfolio. CEOs are more involved than ever in identifying new business opportunities, developing new customer relationships, recognizing and mitigating new business risks and investing in the transformation of their businesses.

The UAE CEO Outlook 2017 provides a valuable picture of the forces disrupting today's business landscape and how today's CEOs are equipping their organizations and themselves to manage the challenges of the near future.

We are very grateful to all the CEOs who participated in this year's survey. We, as KPMG, are keen to further explore these insights and welcome the opportunity to discuss how you can now aspire to 'disrupt and grow' your organization.



**Vijay Malhotra**  
Senior Partner and  
Chief Executive Officer  
KPMG in the Lower Gulf

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# What's on the mind of UAE CEOs?

## Consolidating the core

As well as innovation, CEOs are giving priority to increasing penetration of existing markets.

## Cyber resilience

CEOs will be paying more attention to cyber security in the coming three years.

## Embracing disruption

64% of UAE CEOs expect major disruption in their sector in the coming three years but the same number, 64%, regarded this as more of an opportunity than a threat.



### High confidence in growth prospects

100% of CEOs were confident their organizations would grow over the next three years. This optimism was also evident in the predicted growth of their own industry and country/region.

### Investing for the future

92% of UAE CEOs expect to be making at least an incremental investment in innovation, including new products and services and ways of doing business in the next three years.

### The evolution of the CEO

64% rated emotional intelligence as being just as important as technical skills, for CEOs.



# Key findings



## Embracing disruption

- **Almost two thirds, 64%**, of UAE CEOs expect major disruption in their sector in the coming three years but the same number, **64%**, regarded this as more of an opportunity than a threat.
- In terms of investing in technology, **84% expected to invest heavily in data analytics tools** and robotic process automation, followed by cognitive technologies and cognitive automation.



## High confidence in growth prospects

- **All CEOs** were confident their organizations would grow over the next three years. This optimism was also evident in their own industry and in their country or region.
- Global economic factors were expected to have some impact on business growth, as mentioned by 28% of CEOs, followed by domestic economic factors and regulatory changes.



## Transforming the business

- A number of key areas emerged as being critical to future growth and business transformation. These were customer focus (88%) followed by innovation (72%) and regulatory-induced transformation (60%).
- A number of key issues emerged as being top-of-mind for CEOs and prominent among these were the need to stay abreast of current market trends as relevant to their company's products and services.



## Consolidating the core

- As well as innovation, **CEOs are giving priority to increasing penetration** of existing markets. Other significant plans include: penetration of new verticals, a focus on innovation and expanding into new geographical markets.



## Changing risks

- CEOs in the UAE are mostly concerned about **geopolitical risk (40%)**, followed by operation (36%) and emerging technology risk (32%).
- **Two thirds of CEOs surveyed, 68%**, acknowledged the current geopolitical landscape has had a greater impact on their organization than they had seen for many years.



## Cyber resilience

- CEOs will be paying more **attention to cyber security in the coming three years**. 84% of them have reported that human capital is currently one of the biggest challenges their organization faces when it comes to tackling cyber security.
- Yet, these CEOs believe that such **risks, if tackled adequately, can further prompt innovation** in products and services.



## Understanding new customer behavior

- The **biggest challenges to customer relationships** were centered around keeping up with a fast-changing market, in particular: an inability to target growth segments/demographic groups in some markets, targeting Millennials and transitioning to digital sales.



## The evolution of the CEO

- New, especially soft, skills are recognized as being critical to CEOs, to enable them to better lead their business into the future, with almost two-thirds, **64%** claiming to have studied for a qualification or followed a training in the past 12 months.
- Sixty-four percent also rated emotional intelligence as being just as important as technical skills, for CEOs.



## Investing for the future

- Innovation was seen as a **high priority** for the future among CEOs in the UAE, with nine out of ten indicating it is an area for strong investment.
- UAE CEOs gave much **greater priority to innovation** than their global counterparts (100% compared with 53%).

# Disruption as an opportunity

Today, more than ever, leading a business is about being able to respond to radical changes – technological and cyber risk, geopolitical and competitor uncertainty being uppermost – but also about being capable of adapting successfully to change. Often the risk, potential or real, is the spark CEOs need to transform business productivity and effectiveness but also to understand and harness new technologies and innovation to effect change themselves.

## The evolving risk landscape

In terms of risk to their business, UAE CEOs were concerned about geopolitical risk (40%), followed by operational risk (36%) and emerging technology risk (32%). This differs slightly from last year when CEOs were most concerned about regulatory issues, insufficient talent and reputational risk. Meanwhile CEOs in our global survey this year were most uneasy about risk from operations, emerging technology and reputation/brand (a growing concern).

UAE CEOs are much more likely (84% versus 53% of their global peers) to see cyber security as a way of prompting innovation in products and services. Over two-thirds of the CEOs see investment in cyber security as an opportunity to generate new revenue streams and innovate rather than being just an overhead cost. However, while CEOs may regard handling

cyber security as simply part of their job, it is interesting to compare the response of UAE CEOs to that of their global peers when asked how prepared their organizations are when it comes to the potential occurrence of a cyber-attack: while four in ten (42%) global CEOs feel they are fully prepared to deal with a potential cyber event, almost three quarters (72%) of the CEOs we spoke to in the UAE felt they were not yet fully prepared. This is further underlined by the fact that more than nine in ten of UAE CEOs expect to see higher investment in cyber security over the next three years.

Cyber security is a collective noun for a number of different threats, explains Tareq Dreiza, the Head of IT Advisory at KPMG in the UAE.

*“I think it is interesting that there is a growing awareness of the multi-faceted nature of cyber security, from distributed denial-of-service attacks and ransomware through the theft of customers and business data to social media and equipment or software hacks. It is also true that some industries - such as financial services and the oil and gas sector - tend to be much more aware of the importance of cyber security to address the threats to their business.”*

Almost a third of the CEOs we spoke to agreed that they ought to be smarter when tracking the impact of investments in cyber security.

“CEOs are right to expect to see a return on the investments they make in cyber security. I think that we are also seeing a desire at both the board and C-suite level to get more actively involved in mitigating cyber security risks.”

–**Tareq Dreiza**  
Head of IT Advisory  
at KPMG in the UAE

Risks CEOs are most concerned about



40% vs 17%

Geopolitical risk

36% vs 32%

Operational risk



Emerging technology risk



Environmental risk



Strategic risk



Reputational/brand risk



Changing customer needs



Tax risk

● UAE ● Global

In fact, over three quarters of the CEOs we spoke to in the UAE say that they are comfortable with the degree to which mitigating cyber risk is now part of their leadership role - an interesting indicator of the changing demands of today's CEOs. Yet, a large proportion of CEOs (84%) have reported that human capital is one of the biggest challenges their organization currently faces when it comes to tackling cyber security.

*"One of the more interesting challenges that CEOs and boards face is the challenge posed by human capital," adds Dreiza. "Almost all of the cyber-attacks that we have seen in the region have been enabled in some way by employees forgetting - or willfully deciding not to follow - best practice. Whether this is simple good housekeeping or general business acumen, such as reporting the loss of laptops or commercially sensitive data, humans are both the strongest and weakest links in the chain."*

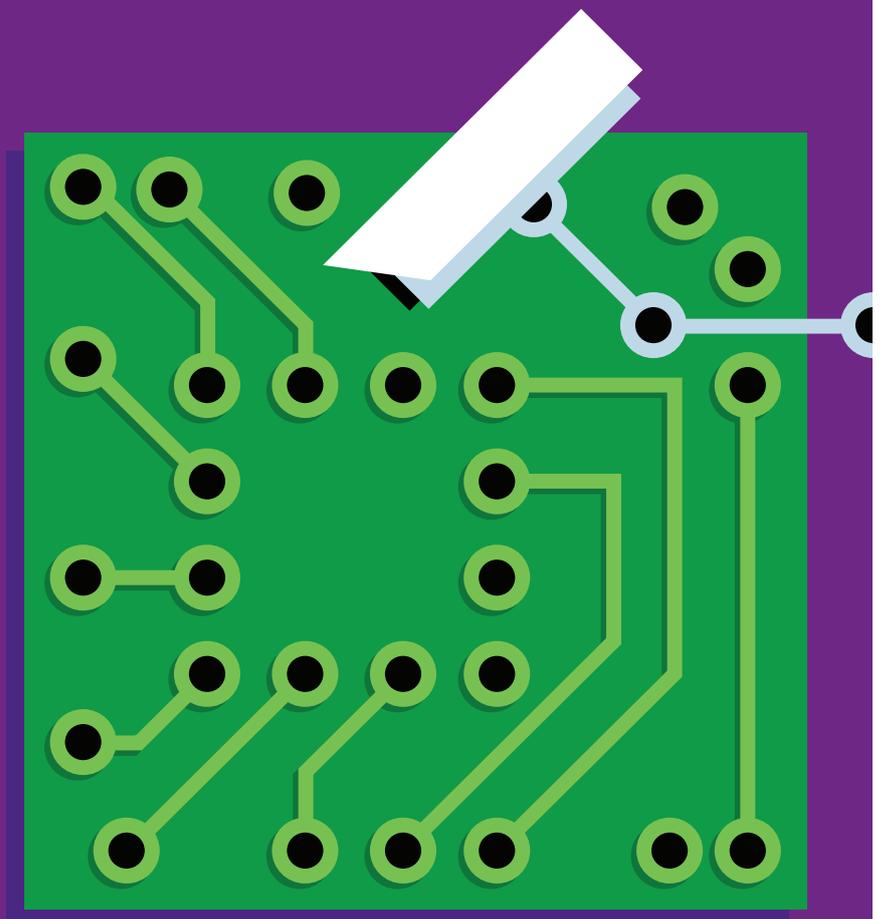
Considering the high-profile nature of many recent cyber-attacks, and the perilous effects they can have on a business, it can seem surprising that it does not rank higher on UAE CEOs' risk radars. In fact, it did not even register as a top eight risk, outweighed by geopolitical, operational, emerging technology, environmental, strategic, reputational, changing

customer and tax risks. This is not because CEOs believe they are immune to cyber-risk. On the contrary, it seems to be because CEOs are slowly assimilating the risks they face. It may also be due to the fact that, with a growing dependence on technology, cyber is very much an active factor in the other risks mentioned above.

**"I don't think that there are many board meetings or executive meetings in the UAE - even in quite small companies - where the cyber threat isn't discussed. If companies aren't concerned, they probably should be."**

**- Tareq Dreiza**

Head of IT Advisory at KPMG in the UAE



# The path to growth

The world has become somewhat more complex and unpredictable since KPMG's 2016 CEO Outlook. The global economy, the direction of geopolitics in the US, Europe, the Middle East and Far East look quite different from only 12 months ago. Despite all this, CEOs in the UAE are optimistic and confident in the ability of their company, industry and region – and in their own personal leadership qualities – to develop and grow robustly.

## **Confidence and optimism**

The world has changed significantly over the last 12 months and this has impacted business confidence. In the UAE, only over half (52%) of the CEOs are confident that the global economy will grow over the next twelve months. This is interesting for two reasons.

Firstly, it is significantly lower than their global peers' perception on the matter – two-thirds (67%) of global CEOs are generally confident that the global economy will grow over the next twelve months. Secondly, it contrasts sharply with the confidence expressed in the local economy. This year CEOs we spoke to were either confident (32%) or very confident (68%) that their organizations would grow over the next three years.

In fact, on this aspect, there are observed variations from country to country. In the US for instance, CEOs are more confident in the global economy, in the national economy and in their industry than they were in 2016. Meanwhile, in Europe, where some countries still struggle to escape from recession while others grow above long-term norms, the outlook remains positive.

CEOs in Australia, China and Japan, however, are less optimistic than they were last year, opting for a 'wait and see' attitude to economic change. In Japan, just under half (46%) of CEOs now say they are neutral in their outlook for global growth over the next three years, while a third (33%) say they are not at all confident. In Australia, just under four in ten (39%) of the CEOs surveyed remain neutral while one in five (19%) say they are not certain of the prospects for economic growth over the next three years.

Interestingly, 40% of the UAE CEOs we spoke to had earmarked Central Asia as one of the countries or regions that they had prioritized for new market growth over the next three years, followed by the US (39%).

**“When we look at the general picture, it is evident that CEOs are convinced of their abilities to move their organizations to bigger and better places. We all know that organizations are facing technological and macroeconomic challenges.”**

**However, CEOs in the UAE are optimistic, resilient and flexible in their approaches to finding ways to push ahead and grow their businesses in both traditional and non-traditional ways and this is very encouraging.”**

– **Vikas Papiwal**  
Head of KPMG Markets



“Pressures on the national budget and the pressing need to diversify the economy away from hydrocarbons are both contributing factors to the imminent introduction of VAT.”

– **Vikas Papriwal**  
Head of KPMG Markets

One issue that is contributing to the changing UAE business landscape is the introduction of VAT.

*“The UAE’s leadership is determined to broaden sources of fiscal revenue while ensuring that the UAE remains one of the best places in the world to do business,” stresses Vikas Papriwal.*

While populist pressure in the US and the UK led to unpredicted geopolitical events, recent elections in the Netherlands, France and - most recently - the UK seem to suggest that the high tide of populist politics may have already passed. This clearly could have positive implications for CEOs in the UAE.

*“The UAE has benefited extremely well from globalization since the establishment of the union over 45 years ago. While we may see efforts by the leadership in the US in particular to tailor free trade so that imbalances are corrected, counter-efforts by the Chinese - such as the recent One Belt, One Road initiative - are likely to further boost trade through the UAE, blessed as it is by high-quality sea ports, airports and a growing rail network,” Vikas Papriwal.*

#### **Navigating the political landscape**

The majority of CEOs surveyed, (68%) acknowledged the current geopolitical landscape in general has had a greater impact on their organization than they had seen for many years. To help deal with this, 72% of them were recruiting new specialists to better understand the risk, while 68% of CEOs said they were spending more time on scenario planning as a result of an uncertain climate.

CEOs in the UAE were however divided in their opinion on what impact the current US administration would have on global economic growth over the next three years. While 60% believed it would have a negative effect, 20% felt it would have no effect on the economic health of nation-states worldwide. The essential point however, is that 64% of UAE CEOs were convinced the current US administration could have a positive effect on their own organization's growth.

As regards the potential impact of Brexit (Britain leaving the European Union) on their organization in the coming three years, UAE CEOs shared views similar to those of their global counterparts. They too are sure Brexit will have no effect on the likelihood of hiring new talent in the UK (44% of CEOs), making inbound investment in the UK (52%) and locating HQ/operations in the UK (60%). Unlike global CEOs (30%) however, six out of ten UAE CEOs (60%) believed Brexit would have a positive effect on their conducting R&D in the UK.

### **Self-disruption: a fresh perspective**

New, especially soft, skills, needed to better lead their business are in high demand for CEOs in the UAE, with 64% claiming to have studied or followed a training course in the past twelve months in the past twelve months. Sixty-four percent also regard emotional intelligence as being as important as their technical skills; fewer global CEOs (45%) acknowledged this, although it is still key.

Three-quarters (76%) of CEOs in the UAE are more open to new influences and new collaborations now than at any other point in their career. This was also true in the global survey, (70% of CEOs). As President and CEO of Scotiabank, Brian Porter spelled it out,

*"You have to want to understand how technology is impacting our business, changing our customers' attitudes. That's where curiosity is important."*

There were some encouraging signs of accepting – or predicting – greater gender diversity. Twenty-four percent of UAE CEOs thought their likely successor would be female; more than CEOs in the other Gulf states (11%), or their global counterparts (9%).



**"The ability to listen [is a valuable attribute]"**

**– José Antonio Alvarez**  
CEO of Spain's Santander Group

# Priorities for today's CEO

**A core responsibility of CEOs is to identify and subsequently rank their priorities in a manner that allows them to strike the right balance between short-term and long-term growth plans, driving greater consolidation and efficiencies, while ensuring progress in existing and new markets.**

This section looks at what is of greatest importance to CEOs, namely innovation, the required (new) technology, human resources, developing close customer relationships and the need to build reputation and trust.

CEOs expressed most concern about:

- Staying on top of current trends in the market and in terms of customer preferences, in relation to their products and services, 76%
- That their company was not disrupting business models in their industry, 72%, and about

- Their competitors' ability to take business away from their organization, 72%.

Responding effectively to regulatory change was the top strategic priority for CEOs in the UAE for the next three years (28%), followed by fostering innovation (24%). Other priorities included: geographic expansion, diversification into new business areas, and limiting brand risk in an age of transparency (all mentioned by 20%).

CEOs in the rest of the world had slightly different top priorities: greater speed-to-market (27%), followed by

innovation (23%). There is often an overlap between these elements, with innovation being an enabler of the others.

**“We live in an age of immense technological disruption, with incredible opportunities for innovation”**

– **Tatsuo Yasunaga**  
President and CEO of Mitsui & Co

**“The digital revolution allows us to forge new types of relationships with customers, where technology is not only a business enabler but becomes an integral part of the way customers interact with the brand”.**

– **François-Henri Pinault**  
Chairman and CEO of luxury group Kering

Top 10 strategic priorities for UAE CEOs in the next 3 years



28%

Responding effectively to regulatory change



24%

Fostering innovation



24%

Implementing disruptive technology



20%

Diversifying into a new business area



20%

Geographic expansion



20%

Limiting brand risk in an age of transparency



20%

Stronger client focus



16%

Becoming more data-driven



16%

Digitization of business



16%

Ensuring KPIs are adequate and accurately measured

Over half of the CEOs based in the UAE (56%), anticipated that their company will largely remain the same over the next three years- a perception also echoed by nearly 3 out of 4 CEOs (74%), on a global scale. This contrasts somewhat with last year's results, whereby a large majority of CEOs believed their organization would be significantly different in three years' time. This could be indicative of increasingly positive sentiment and stability across the emirates. This year, of those UAE CEOs who believed their organization would be significantly transformed (44%) cited adopting new processes and 27% implementing new business/operating models as the main enablers.

**“Every CEO I meet with is asking, ‘How do I better drive my business in a digital world?’”**

**– Mark A. Goodburn**  
Global Head of Advisory  
KPMG International

**Addressing human resources**

In keeping with the positive sentiment on growth rates, over half of CEOs (56%), foresaw headcount expansion of up to 5% over the coming three years, and a further 44% expected between six and ten percent. The need for more staff reflects their predicted business growth rate and a certain skill shortage in ‘digital labor’. Thus emerging cognitive technology (robotic process automation,

**Top 6 factors driving business transformation**



27%

**Adopting new processes**



18%

**New business/operating models**



9%

**Adopting new technologies**



9%

**New management hires**



9%

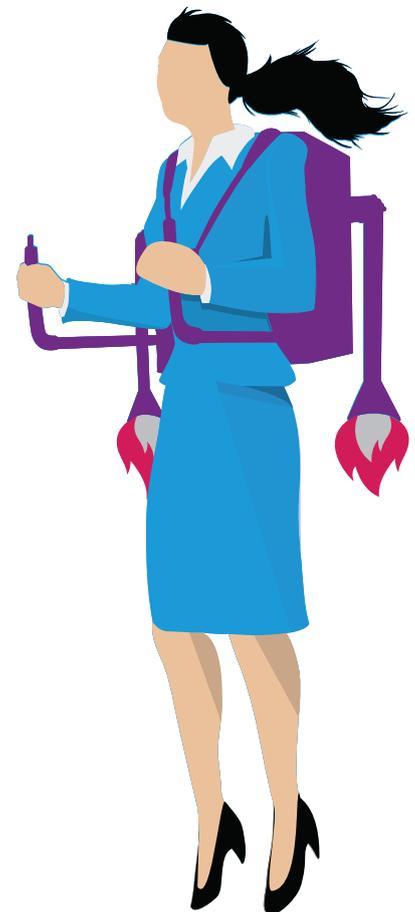
**A move to an entirely new sector**



9%

**Offering entirely new products or services**

cognitive computing, and cognitive automation) over the next three years will result in an overall headcount increase in all functions. This would be particularly marked in sales, mentioned by 84% of CEOs, followed by Information Technology (80%) and marketing and communications (76%). On a global level, IT staffing is predicted to grow the most (69%), followed by middle management (64%) and research and development (61%).



**“We see that highly skilled IT talent is vital to businesses disrupting their markets successfully”**

**–Farhan Syed**  
Partner Consulting, Head of Digital Transformation, KPMG Lower Gulf

**Becoming more customer-centric**

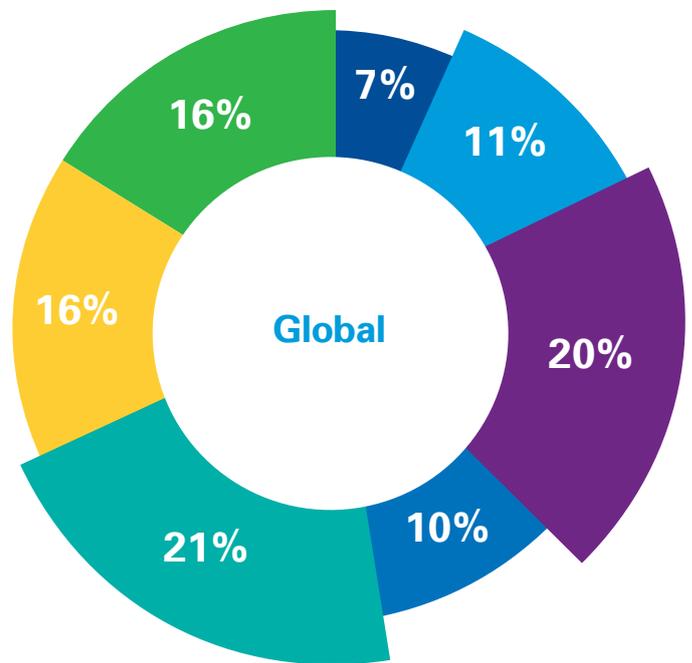
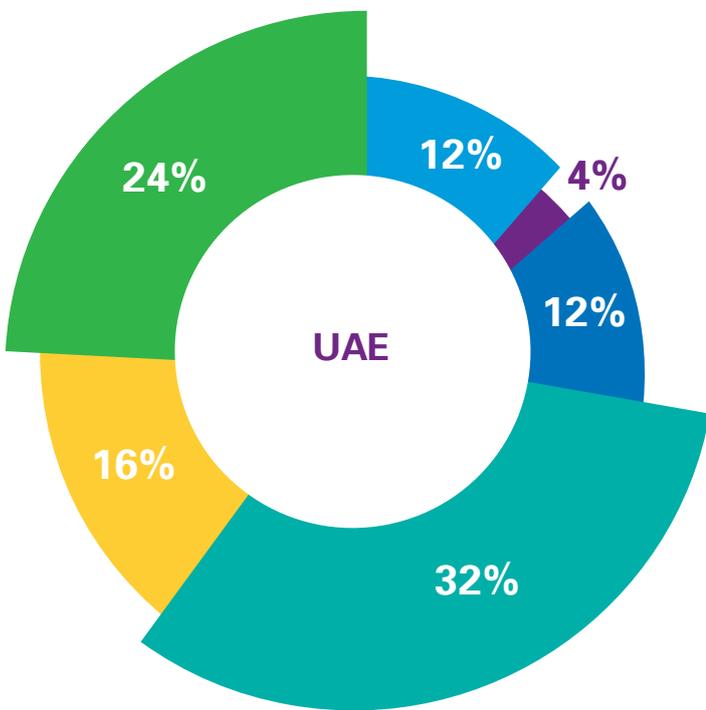
CEOs believed the biggest hurdles to customer relationships were largely centered on keeping up with a fast-changing market. Thus an inability to target growth segments/demographic groups in some markets, mentioned by 32% of CEOs, targeting Millennials who want to interact with brands

in different ways, 24%, and transitioning to digital sales and servicing models, 16%, came on top of the list of challenges.

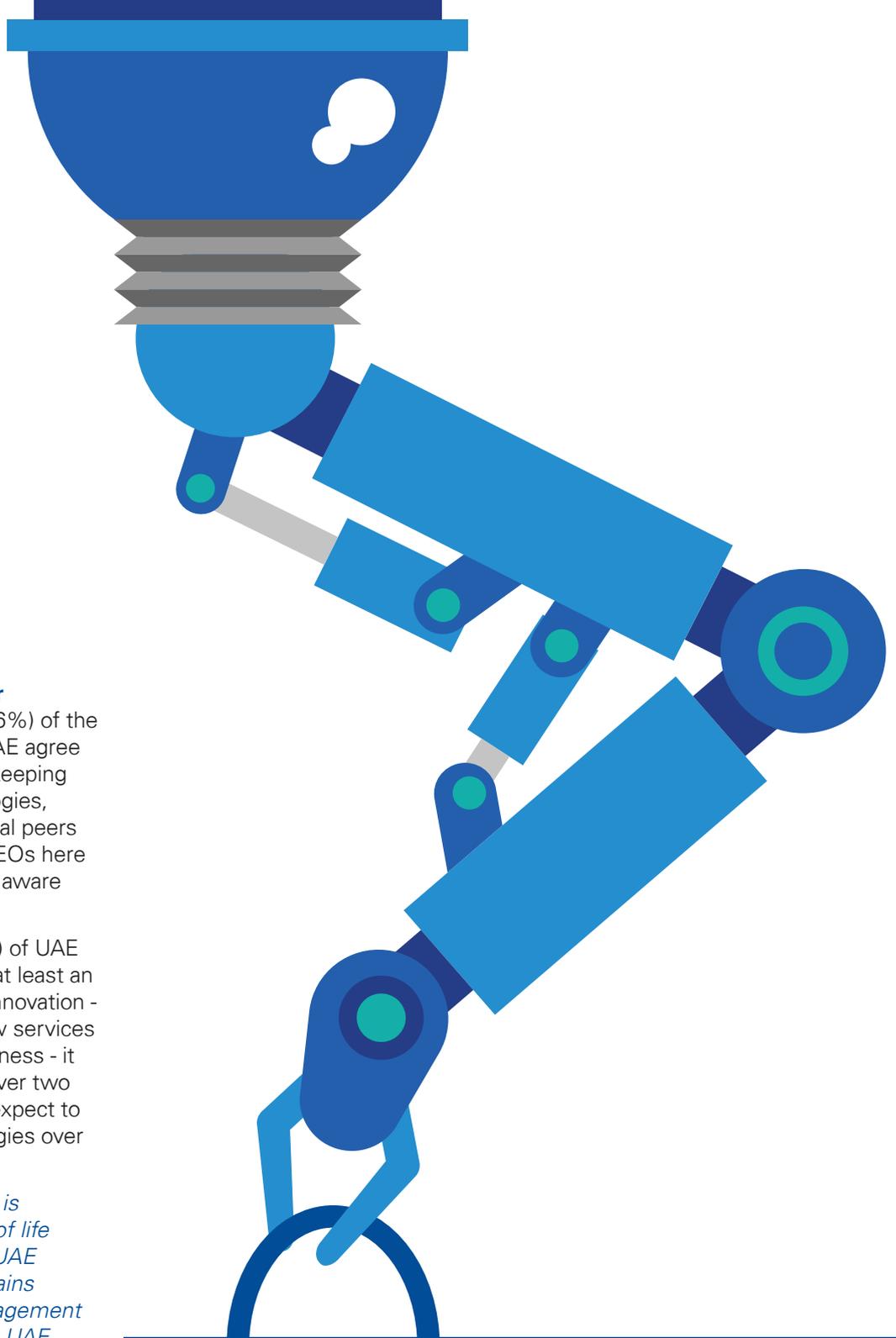
At the same time, nearly three-quarters of CEOs (72%), believed they were able to confidently communicate how their company creates value for their customers.

There is still much work to do, though, as seven in ten (68%) of CEOs thought the depth of their customer insight is currently hampered by lack of quality customer data.

**Strategies to improve customer relationships**



- Adapt to the changing needs of customers
- Address high customer expectations for personalized services
- Maintain/build customer base due to disruptive competitors
- Target growth segments/demographic groups overseas
- Target growth segments/demographic groups in home markets
- Transition to digital sales and servicing models
- Target Millennials who want to interact with brands in different ways



### Technology as a disruptor

More than three-quarters (76%) of the CEOs we spoke to in the UAE agree that their organizations are keeping current with recent technologies, easily outstripping their global peers (47%). This suggests that CEOs here tend to be more technology aware than their global peers.

While over nine in ten (92%) of UAE CEOs expect to be making at least an incremental investment in innovation - including new products, new services and new ways of doing business - it is encouraging to see that over two thirds (68%) of UAE CEOs expect to invest in emerging technologies over the next three years.

*“Disruption in technologies is increasingly seen as a fact of life for businesses here in the UAE and across the world,” explains Nader Haffar, Head of Management Consulting for KPMG in the UAE.*

Feedback from UAE CEOs further reflects this. Almost nine in ten (84%) of UAE CEOs are increasingly looking to invest in RPA and data analytics tools over the next three years. Eight in ten of them expect to invest - incrementally or significantly - in cognitive technologies or automation. Almost two-thirds (60%) of the CEOs we spoke to expect to be investing in blockchain, a technology that has only recently been launched in the UAE.

**“Robotic process automation (RPA), cognitive technologies (including artificial intelligence and machine learning, cognitive automation, the internet of things, data analytics tools and blockchain) are now firmly stuck to the CEO dashboard and will be there for some time.”**

**–Nader Haffar**

Head of Management Consulting for KPMG in the UAE

How ready are the CEOs and the organizations they lead to deal with all of this technological disruption?

*“That is an interesting question,”*

says Cristian Carstiou, who leads KPMG’s Data & Analytics solutions in the UAE.

*“There exists a range of barriers to implementing new technologies in organizations including complexity, legacy systems, risk and security concerns and a lack of knowledge and internal skills. Equally, there is a range of different technology challenges, such as having to pilot emerging technologies, integrating a number of new technologies at the same time, keeping up with both leading practice and their competition, mitigating cyber threats and transforming themselves into digital organizations. Alongside all of those - but more of a long-term challenge for UAE CEOs - is the need to be able to trust the quality of the data organizations are using.”*

Almost three-quarters (72%) of the CEOs agreed that their respective organizations were struggling to keep pace with the rate of technological innovation in their sector. CEOs in the UAE are more likely to agree than disagree (by a ratio of 5:2) that it is difficult to get timely insight and advice on the strategic impact of new technologies. Equally significantly - and echoing the point that Carstiou makes above - over half of the CEOs (56%) agree that important decisions cannot be based on data until a significant investment is made in improving its quality.

“CEOs in the UAE tend to see technological disruption as more of an opportunity than a threat”

—Cristian Carstiou

KPMG Data & Analytics solutions in the UAE

Carstiou adds

*“Part of this is due to the innate confidence that CEOs tend to have in themselves - it is part of their DNA and an essential part of what makes them effective business leaders. Equally, however, the CEOs we talk to tend to believe that disruption will weaken or eliminate some of the traditional leaders. If you are a traditional leader, this will sharpen your focus. If you are a competitor, the prize is increasingly tangible.”*

Two-thirds (68%) of the CEOs admitted that they were actively disrupting the sector they were operating in, rather than waiting to be disrupted by competitors, comparing positively with their global peers (74%).

Yet CEOs tend to agree that there is still work to be done in terms of technological disruption. Four-fifths of them (80%) agreed that digital means were not being used as effectively as they could be to connect effectively with customers. Over nine in ten (92%) agreed that they were having to consider how to integrate basic automated business processes with artificial intelligence (AI) and cognitive processes. And almost three-quarters (72%) of the CEOs we surveyed in the UAE agreed that they had concerns about the integrity of the data they were basing their decisions on.

*“While we have witnessed considerable change over the last twelve months and expect to see transformative changes over the next three years, the CEOs we are speaking to seem to agree that it is the change that they don’t see coming that they need to be most wary of - and that is why the promise of big data - the transformation in real time of connected data points into commercially-valid business intelligence - offers so much potential to CEOs, both here and globally,”*

concludes Carstiou.

### Transforming business models

Nine in ten UAE CEOs were expecting high investment in innovation, including new products/ services and ways of doing business, in the next three years, as well as workforce training and cyber security (all three were mentioned by 92% of CEOs). Although innovation was cited as being of high importance in last year's survey, the top three investment areas cited then were: data analysis capabilities, new product development and cyber security.

Greater priority in innovation for strategic growth was mentioned by all UAE CEOs as compared with their global counterparts, 53%.

Other priorities in the UAE for high investment were recruitment (88%) and governance and risk (88%).

**“There’s no proven playbook for leading disruptive innovation. You need a killer team, clear technology milestones, a sharp focus on customers and a little bit of luck”**

– **Rob Lloyd**  
CEO of Hyperloop One

The main objectives for these investments were to improve bottom-line growth (95%), to get closer to their companies' customers/improve customer engagement (95%) and to strengthen organizational resilience (74%). Building greater trust among external stakeholders and customers is among the top three priorities today, according to 80% of CEOs.

### Top 7 areas likely to receive high investment in the next 3 years

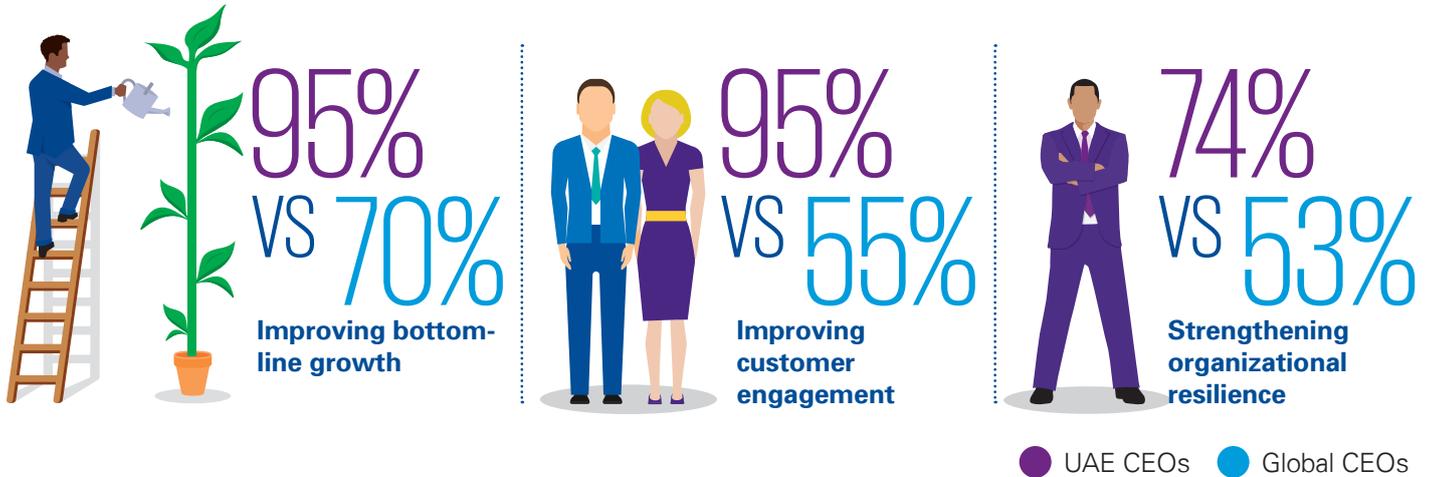


**“Innovation is less about changing everything you’ve got. It’s about being ready to take on new challenges and opportunities, to be flexible and agile”**

– **Lisa Heneghan**  
Global Head of Technology, Management and Consulting, KPMG International.



### Top 3 investment objectives (UAE CEOs vs. Global CEOs)



Consistent with the desire to consolidate their position and strengthen their business core, priority will be given – by all CEOs interviewed – to increasing penetration in existing markets, penetrating new verticals, and focusing on innovation (including new products/services and ways of doing business).

Expanding into new geographical markets was also considered to be a high priority among all UAE CEOs, with 100% of the CEOs we spoke to

echoing this sentiment, while only two thirds of the global CEOs (65%) considered this a priority.

Consistent with greater consolidation and internal strengthening, most growth is expected to come organically, with 64% of CEOs planning to scale up their own business operations and processes. Interestingly, of the CEOs we spoke to, 44% were also planning to develop/strengthen collaborative partnerships or joint-ventures, and another 40% foresaw large-scale

business model transformation. But fewer (36%) anticipated merger or acquisition activities to drive growth. A similar pattern emerged in the global survey.

*As KPMG's Heneghan puts it, "We also know that disruption does not have to be wholesale industry disruption. Disruption within functions or sectors can still be bold and have a significant effect."*



"Our strategy is to strengthen our core businesses as a foundation on which to establish new business in sectors with promising growth potential"

– **Tatsuo Yasunaga**  
President and CEO of Mitsui & Co.

## Business growth strategy



**Scaling up our own business operations and processes**



VS



**44%**  
**Collaborative partnerships/  
joint ventures**



**40%**  
**Large-scale  
business model  
transformation**



**36%**  
**Merger and/or  
acquisition**

### **Beyond the short term: building trust**

CEOs in the UAE expressed confidence in relation to their organizations' ability to balance short and long term business objectives. The majority of CEOs (76%) believed their organization had a good track record in balancing short-term financial goals with long-term growth plans. This was because, in general, shareholders or board members of UAE companies place equal importance on long-term and short-term performance objectives. In this regard UAE CEOs differ from their global peers (54% of whom believed a short-termist culture has had a negative effect on their long-term objectives).

Further, in the UAE having a long-term outlook is regarded as compatible to having a socially responsible business according to 68% of CEOs in the region. Moreover, a high proportion (80%) correlated being a more empathetic organization with generating higher earnings, showing that building trust is consistent with their business objectives showing that building trust is consistent with their business objectives.

**“An inclusive culture is vitally important in our industry to bring the diversity of thought we need to innovate and grow our business”**

– **François-Henri Pinault**  
Chairman and CEO of luxury group Kering

# Conclusions

## **Optimism and stability**

A buoyant picture emerges of CEOs in the United Arab Emirates, who are expecting strong and steady growth for their company, industry and country, and who are not being too reliant on the global economy. While GDP growth in the UAE may not be as muscular as in recent years, the level of CEO optimism reflects a growing maturity and confidence in their ability to adjust to a new reality and develop other, non-oil driven sources of expansion.

## **Innovation-led transformation for disruption**

Although most CEOs are expecting major disruption in the near future, they are also embracing it; and most believe they are actively disrupting their own industry. They see disruption as an opportunity to transform their business into a significantly different entity, by adopting new technologies and offering entirely new products and services. Fostering innovation is also a top strategic priority, along with customer focus.

At the same time, the majority of CEOs believe their company does not possess the capability and processes to respond to rapid disruption, and that their firm needs to step up its game in the use of technology, especially in digital customer interaction.

## **Strengthening the core**

In anticipation of a degree of uncertainty, and with the continual need to expand their business, CEOs are consolidating their position and strengthening their core business. They are increasing penetration in existing markets and penetrating new verticals, though new geographic markets will also be somewhat important. Most corporate growth will be organic.

As well as innovation, CEOs will be investing heavily in workforce training, cyber security, and governance and risk. Although CEOs are planning on increasing headcount across all functions, one challenge is to bring in suitably trained IT experts, for example in artificial intelligence, to derive results from new technologies. Paradoxically, at least in the near term, the need for increased automation will result in more manpower. Smart technology still needs smart people.

## **Building trust is vital**

CEOs are placing more emphasis on the long term establishment of trust: being an empathetic, socially responsible, inclusive and diverse business with a purpose correlates with high earnings. It also mitigates against reputational or brand risk. Responsible business is smart business.

## **The personal challenge**

CEOs have been cultivating new, often soft skills or additional qualifications, to ensure they remain current, relevant and best equipped to succeed in their roles. Emotional intelligence and good listening skills have therefore become as valued as technical skills. The ideal is to have an understanding of their own personality, and be open and curious to new influences and collaborations relating to technology, their organization and the customer.

## Summing up

A confident, optimistic picture emerges among UAE CEOs, who are anticipating disruption and taking steps to either respond successfully or to bring about disruption themselves. To do so, they believe the ability to innovate is crucial and are investing accordingly. CEOs also recognize the need to consolidate their organization's core structure and systems, to invest in emerging technologies and to recruit expert talent. Other challenges take the form of establishing reputation or trust, largely through being socially responsible, and being able to employ greater soft skills.

# Methodology

The survey data published in this report is based on a survey of 1,261 chief executive officers (CEOs) from Australia, China, France, Germany, India, Italy, Japan, Spain, the UK and the US. In the UAE, the survey was conducted among 25 CEOs.

The global survey was conducted between 21 February and 11 April 2017.

The CEOs operate in 11 key industries: automotive, banking, infrastructure, insurance, investment management, life sciences, manufacturing, retail/consumer markets, technology, energy/utilities and telecom.

On an overall level, three hundred and twelve CEOs came from companies with revenues between US\$500 million and US\$999 million; 527 from companies with revenues from US\$1 billion to US\$9.9 billion; and 422 from companies with revenues of US\$10 billion or more.

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CEO of Santander Group, Spain

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President and CEO, Mitsui & Co., Japan

**François-Henri Pinault**

François-Henri Pinault, Chairman and CEO, Kering, France

**Rob Lloyd**

Rob Lloyd, CEO, Hyperloop One, US

KPMG would like to also thank the CEOs in the UAE who participated in the survey for their valuable contribution.



# About KPMG

We are proud of our reputation for delivering cutting-edge solutions and exceptional client value. With over 70 partners and directors leading over 1000 professionals across six offices in the Lower Gulf, we work shoulder to shoulder with our clients, offering independent audit, tax and advisory services to business corporations, government bodies and not-for-profit

organizations. We are proud of our reputation for developing our people and the wider business community. We actively support our staff and are recognized as a leading employer.

Complemented by a global network of dedicated partners and professionals located across the global network of individual firms, our value lies in our depth of talent and the experience we have gained

helping clients respond to industry, market and regulatory changes and challenges. We work with our clients to adapt and capitalize on the trends being set by today's rapidly changing environment. With deep industry experience, insight and technical support, our qualified professionals deliver a broad range of audit, tax and advisory services to meet the unique needs of our clients.

## Service offerings:

Audit	Management Consulting	Risk Consulting	Deal Advisory	Tax
<p>High quality, independent financial statement audits are essential to maintaining investor confidence.</p> <p>Our audit professionals are committed to the public interest. They seek to challenge assumptions and unlock valuable insights based on a thorough understanding of an organization's business and industry, and innovative audit methodologies and approaches.</p> <p>Understanding the financial performance of any business must be placed in the context of strategic priorities, risk appetites and competitive positioning. Our technology-enabled audit approach applies extensive data analytics to provide the necessary evidence confirming that critical controls and disclosures uphold the highest level of integrity.</p>	<p>Our high capability teams offer expertise, deep industry and technical knowledge, and market-leading tools to deliver solutions across every business and industrial sector.</p> <p>Our expert practitioners help clients to make better decisions, reduce costs, enhance organizational effectiveness and develop appropriate technology strategies.</p>	<p>Our risk consulting practice combines the knowledge and expertise of over 100 partners, directors and professionals. We help organizations transform risk and compliance efforts into competitive advantage by applying a risk lens to corporate strategy. This improves risk intelligence and decision making, protects financial and reputational assets, and enhances business value.</p>	<p>Our experienced investment professionals skilfully assess how opportunities to buy, sell, partner, fund or fix a company can add and preserve value. Our teams combine a global mind-set and local experience with deep sector knowledge and superior analytic tools to support clients. From helping to plan and implement strategic change to measurably increasing portfolio value, we deliver tangible results.</p>	<p>A business's approach to tax is increasingly subject to public scrutiny and is now a major reputation driver. From company set-up to cross-border and transfer pricing solutions, we work with a wide range of national and multi-national organizations to deliver effective tax solutions. Our tax professionals combine international experience with local knowledge to provide leading edge commercial tax strategies tailored to specific client needs.</p> <p>Tax issues are constantly evolving. Changes in law, practice, or approach – in the UAE and globally – can have major ramifications on local and international organizations.</p>
<ul style="list-style-type: none"> <li>— Audits of financial statements</li> <li>— Audit-related services</li> <li>— Audit data &amp; analytics</li> </ul>	<ul style="list-style-type: none"> <li>— People &amp; Change</li> <li>— Customer &amp; Analytics</li> <li>— Financial Management</li> <li>— Operations</li> <li>— Strategy &amp; Economic Advisory</li> <li>— IT Advisory</li> </ul>	<ul style="list-style-type: none"> <li>— Forensic</li> <li>— Business Process Management</li> <li>— Accounting Advisory Services</li> <li>— Internal Audit &amp; Risk Compliance</li> <li>— Climate Change &amp; Sustainability</li> </ul>	<ul style="list-style-type: none"> <li>— Capital Markets</li> <li>— Valuations</li> <li>— Debt Advisory</li> <li>— Transaction Solutions</li> <li>— Mergers &amp; Acquisitions</li> <li>— Restructuring</li> </ul>	<ul style="list-style-type: none"> <li>— Inbound &amp; indirect taxes</li> <li>— Mergers, acquisitions and restructuring</li> <li>— International tax services</li> <li>— Transfer pricing</li> <li>— Tax management consulting</li> <li>— Global mobility services</li> <li>— Automatic exchange of information</li> <li>— VAT</li> </ul>

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