

# [***90% Of CEOs Remain Confident Despite Murky U.S. Economy***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:6BTF-10P1-DXVP-5009-00000-00&context=1516831)

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**Highlight:** KPMG U.S. Chair and CEO Paul Knopp talks about optimism, AI and sustainability priorities from the 2024 KPMG U.S. CEO Outlook Pulse Survey.

**Body**

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**Optimism reigns supreme in . The survey, released last week, shows nearly nine in 10 CEOs are confident the U.S. economy will grow in the next year, and nearly four in five expect that same growth for their companies. I talked with KPMG U.S. Chair and CEO Paul Knopp about the business optimism, employee growth expectations of CEOs for this year and hybrid work.**

**A shorter version of this interview was in Sunday s Forbes CEO newsletter, which . This transcript has been edited for brevity, clarity and continuity.**

**Give me a top-level overview of the study and its findings.**

**Knopp:**I would point to some of the consistency and what we ve seen year over year. There s still a lot of confidence among business, and the business leaders, and the business world that the economy will be strong over the next 12 to 36 months. There s a lot of confidence in the growth prospects of their own economies, even the global economy.

The second thing is what we ve seen over the last four years, and we ve coined [the term] at KPMG compound volatility. You ve got these near-term risks, and the near-term risks are always changing. Four years ago it was Covid. Now it s geopolitics. It is certainly cyber. It is certainly, in some degree, the ***politics*** in the various countries that are having elections this year. Those near-term risks, you overlay them with structural risk. The structural risks would be the tight labor market. New regulations. Stubborn or sticky inflation. Prices that are not going down at the rate everybody hoped they would go down, which leads to the notion that rates will be higher for much longer. I think we re navigating pretty well and anticipating it, and being resilient around it, but it s certainly causing some complexity.

A couple things in the study that I found interesting was the recognition that hybrid is here to stay. The data [is] kind of turning on its head from the last study we did: More CEOs are saying that hybrid is the future, as opposed to being back in the office.

Going back to that confidence, a very significant number of CEOs saying that they would be having modest-to-significant increases in the workforce over the course of the next 12 months, that s really promising. It s also maybe a sign of their competence and the prospects for their companies in the economy, which is interesting, too, in light of all the talk around generative AI and all the concerns that generative AI will take jobs. I think those concerns are being alleviated to a large degree about what we re really seeing in the labor markets, and I think there s becoming a recognition that generative AI is really still human-centric, and we are absolutely going to need people to reap the benefits over the longer term. I think you see that in the study with respect to CEOs saying that their investment plans around generative AI remain either flat or increasing over time, and that s coming off of a year where generative AI was really the top investment priority. Flat is really positive for investment in generative AI because it s maintaining the high level of investments.

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Paul Knopp, KPMG U.S. Chair and CEO.

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**What is fueling this optimism?**

Many of us have been wrong [when making predictions in the past], but I think what we ve been right about, generally speaking, is the resiliency of the economy. We ve been right about the velocity and speed of innovation. We ve been right about the momentum behind technologies like generative AI and technologies that will make our economy more circular and sustainable for the long term.

Give us those data points, combined with more clarity around interest rates. Yes, interest rates are not coming down like we thought they would yet. But there seems to be a lot more clarity around [the fact that] they re at least going to stay higher for longer, or not dramatically increase. And more clarity around inflation being in the 2% to 4% range.

With that additional clarity, I think we feel more confident about the next two to five years. While yes, we have some clouds on the horizon when it comes to the economy, around geopolitics, around ***politics***, around inflation rates still being a little higher than we want and interest rates still being higher than we desire, there s a lot of optimism about the next two to five years. We have to be preparing for that. We have to be hiring now, we have to be preparing for that stronger economy in the longer term.

**Nearly three quarters of respondents said they expect their workforces to grow this year, but we have seen major layoffs across businesses in the first part of 2024. How does this response square with the numbers?**

It s complicated. There are many industries that are benefiting from the layoffs, and other industries that are keeping the workforce balanced and leading to the absorption of the layoffs that have been happening. There are certain industries that have been needing more talent for a long time that are taking advantage of some of the reductions in force in other industries. It s keeping the overall multi-sector, multi-industry workforce and hiring statistics pretty strong. And you see that in the monthly labor reports that are coming out. Just a few months ago, a year ago, 18 months ago, technology companies were laying off employees, reducing force, and now they re hiring again because of generative AI.

I think it s more volatility internally within sectors that you re observing. On balance, you re seeing strength, and that strength is not just because of the resiliency of the economy and sectors needing talent. It s also because the structural imbalances that we ve been talking about in the workforce for three or four years are not going to go away. The workforce is aging, full stop. The birth rate in the country has gone down. Less people are going to college and graduating. Our immigration policies are still not optimal.

**There are many measures CEOs plan on implementing with generative AI this year, including adding watermarks, increasing training and working on data security measures. What do all of these activities say about companies use of the technology?**

We have something at KPMG called aIQ, uppercase IQ, and it s really something we put in place to recognize that generative AI has got to be human-centric when it comes to being successful. The fact that you re seeing more CEOs saying right now, We re going to be watermarking and disclosing our use of generative AI is consistent with what we did very early on at KPMG. We consider ourselves client zero for our own work with organizations. We said the first thing we re going to do is develop a trusted AI framework, and everybody is going to have confidence and trust in us that we can move AI forward in a responsible, ethical way. So I see what s coming across in the study about more recognition, that we need to tell our markets or our customers that we re going to be using this safely, responsibly, is huge.

Number two, we are truly seeing companies move from piloting test cases, use cases of general A, to more industrialization or implementation or integration of AI. With KPMG as an example, again, we are putting in the hands of all 40,000 of our people the course of the last six months plus the next three months, Microsoft Copilot. We ve already put in their hands a safe, secure instance of ChatGPT that s accelerating our people s ability to do research. It s making the way that they produce content more efficient. It is allowing us to use more predictive capabilities and mapping processes more quickly. We see all of that, too, at our clients. We re helping them with a lot of that with products that we call Tax Digital Gateway. We re trying to put generative AI in everything that we do. Companies are looking at much the same thing. Trying to determine how do I use generative AI?

I think what you re seeing in some of the mixed signals around that is the recognition that people are absolutely realizing what a lot of us have been saying. Yes, we probably are overestimating to some degree a little bit overhyping what generative AI is going to do in six to 12 months. But it is absolutely going to have transformative impacts over the next two to five years. Companies are now in the phase of trying to make sure they don t overhype what they re doing with it, use it safely, but absolutely move it more into the real cases and the uses of generative AI.

The investment levels in generative AI are not going down. They were already high last year. Another survey we just did, 43% of C-level executives are saying that they re going to be investing $100 million or more over the next 12 months on generative AI, which to us means that this is very real.

**The survey indicates that CEOs recognize that people are necessary to make generative AI work best, and 78% are planning to do upskilling and ongoing education. However, 69% said they plan to use generative AI to fill any gaps in their organization s labor base. Is this the beginning of a slippery slope in which companies may be trying to replace people with AI?**

I don t think so, because I believe that generative AI is truly a tool to make what we do better. We don t believe, as business leaders, that generative AI is going to replace people. But if you re somebody in the [job] market or you re in college, you d better realize that generative AI skills are needed, or you could be replaced by somebody that does have those skills. You see it in multiple stories that are coming out over the course of the last weeks around business schools and others realizing that generative AI is truly transformative.

To me, it s not just the more mundane things that generative AI could automate and could allow for a more capacity for people to do other things, but it s those other things that they re doing that could, I think, create a lot more value and solutions that are being produced by generative AI. If you look at all emerging technologies over the course of the last 40 years, there have been jobs and tasks and duties that have been automated. But if you look at generative AI or any other emerging technology, I think that it s an engine for growth. Yes, it ll replace certain jobs, potentially. It ll replace certain tasks and duties. But it s going to lead to net hiring in the economy, because the economy and technology and other things evolve. One hundred years ago, our ancestors were mostly farmers and blacksmiths and ranchers. I look at generative AI in much the same way.

I think that you ll see an evolution in things that it can do. I think it will do more complicated tasks over time, not just mundane and routine tasks. But I think that the fact that it s going to help do more complicated tasks is going to mean that it s going to create more capabilities around biopharmaceutical industries, around the energy industry and sustainability. It s going to create more capabilities for us in the professional services industry to bring more innovative solutions to our clients. You name the industry, it s going to create more capabilities, which is going to mean that to meet the demand that we're forecasting, so we re going to need more people.

**More CEOs said that they envision employees roles to be hybrid 46% see a hybrid setup this year, as opposed to 34% last year and only 34% predict all employees in the office full time within three years, which is about half of the CEOs who wanted a full-time return to office last year. What drove this change?**

As business leaders, we should take a step back and realize that our employees have been right all along. Our thinking as a business leadership community that there might be a shift with a more difficult economy to more people coming back to the office, some of those predictions were wrong. There needs to be a recognition that the way our employees have been thinking is what is really important. Employees have been thinking that they love the flexibility that they get with hybrid work, that in their belief it makes them more productive because there s less commuting, there s more time dedicated to work on their own terms. That s all real. What also is real is that there s been a movement back to the office and numbers that are higher than two to three years ago.

We re getting this calibrated to the right balance. As business leaders were saying, Yes, we d love for our people to have more in-person interaction. Employees are saying, I am starting to get the right balance between working remotely and working at the office. I think it s all coming into view in a more clear way that hybrid environments are not optimal, but we re, over the course of time, starting to move them toward a more optimal state. We re all getting to more balance, more consistency, more recognition of what works for organizations. That s sort of a natural outcome of the experimentation that we ve been doing over the last two or three years and the pivoting we ve been doing around those experiments, to make sure that we get hybrid right for the future.

**The study also found that ESG is a major priority for CEOs. What led to sustainability getting to be such a major priority?**

The war in Ukraine and some of the issues around supplies of carbon-based energy over the last two or three years have made the idea of energy security top of mind for not just for business leaders, but for consumers and for people across the world. Over the last couple years, we ve had to recognize that we really do need carbon-based energy to run our economies, to get people to work and to have a more just transition. At the same time, we ve realized while we need carbon-based energy for the near and longer term in certain quantities, carbon-based assets are depleting over time. That s always been recognized, and to have more circular economies, to have more cleaner sources of energy, we need long-term sustainable supplies of energy in the renewable categories, too. Investments around renewable forms of energy will not subside, and to a large degree, many are seeing that as an opportunity. The innovation around those forms of energy are creating jobs, opportunities, and over the long term, they re here to stay. We need them to sustain the operations of businesses and ensure that we all have reliable sources of energy over many years in the future.

We ve all made commitments, and while some in the business community have been less vocal about those commitments, the commitments haven t gone away. Over the long term, we re still trying to do our part to make energy cleaner, to make sources of energy that drive the economy [to be] less carbon-intensive.

**In terms of sustainability, will this stay a major priority for CEOs? Or is this a focus just for right now, as companies are looking to cut internal costs and begin mandated sustainability reporting?**

I think one leads to the other, leads to the other. We need to keep our commitments, but we also recognize that over the course of time, renewable sources of energy prices will go down, [increasing] the likelihood of making our operations more efficient over the course of time, and also making our economy more circular.

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