Next-Generation CEOs in Asia Pacific

Leading in an Era of Polycrisis

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Introduction

How is the rising next generation of CEOs across Asia Pacific contending with increased commercial and operating complexity?

This was the key question we began investigating in the inaugural edition of our annual report – Asia's Next Generation of CEOs and Corporate Leaders: Perspectives on Leading Through Disruptive Change – last year.

In our second edition, we continue to explore the key themes regional CEOs are navigating with a new set of leaders and emergent opportunities and challenges.

This year's group of CEOs are driving their businesses forward in what could be considered a time of "polycrisis." A time when a great many political, social, environmental and technological forces are colliding to create a complex tangle of factors to address.

As we sat down with a new cohort of CEOs from across Australia, the People's Republic of China (including mainland China and Hong Kong SAR), the Indian sub-continent, Japan, the Philippines, Singapore and Thailand, a pragmatic and calm perspective was evident. This is a generation that has rarely experienced stable business conditions. They have taken the reins of major multi-generational conglomerates, sovereign wealth funds, financial houses and cultural institutions at a time of deglobalisation, the arrival of Artificial Intelligence (AI), rising inflation and interest rates, geopolitical friction and a world struggling to generate enough collective ambition and action to limit global warming.

Against this backdrop, they manage vast workforces that are digitally connected yet physically dispersed, with a younger generation that views and values work very differently than their predecessors. They are building and transforming business models at rapid speed with only short-term visibility of the conditions that are reshaping markets and redefining their businesses.

Teneo engages with CEOs across Asia Pacific and globally every day. We have the privilege of advising them through the myriad of strategic, reputational and stakeholder challenges they face alongside complex financial, people and operational agendas.

This report brings to life these conversations, and we thank all who so generously participated.

We hope you enjoy the perspectives shared.

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Key Findings

Defining Leadership

For Asia-Pacific's next-generation CEOs, leadership demands flexibility and empathy as they balance the short- and long-term demands arising from ever-evolving operating dynamics, ranging from changes in the macro-economy to changing social norms.

Risk, Resilience and Geopolitics

Heightened geopolitical complexity is driving fundamental changes to business models to be more responsive to global shifts, and to formulate strategies that position businesses for the future.

Technology and Artificial Intelligence

Emerging corporate leaders recognise the transformative potential of AI, particularly as it relates to enhancing operational efficiency, but are exercising caution regarding how, when and where to embrace it, aiming for a balance between automation and human input.

ESG

Leaders see ESG as a core and defining feature of how they run their businesses, but agree there needs to be a focus on actionable initiatives and measurable outcomes, especially amid resource constraints and a more challenging macro-economy.

Stakeholder Engagement and Communications

CEOs are engaging with a wider array of stakeholders via digital platforms while doubling down on complementary traditional channels to ensure transparent and authentic communication with investors, employees, communities and the general public, among others.

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Even if global trade and geopolitical tensions ease in the short term, Asia-Pacific's next-generation CEOs believe 2024 will be defined by shifting political sands and policy and regulatory change as half the world's eligible voters head to the polls, regional conflicts continue and tensions between major economies remain unresolved.

Methodology

From August to December 2023, Teneo interviewed the CEOs of public and private companies across Asia Pacific. This included young leaders of family-owned conglomerates, now steering them in new directions, along with the founders and CEOs of rising companies in the region.

The companies represented have a combined market capitalisation or committed funding of over US$41 billion and more than 110,000 employees.

The interviews were conducted by Teneo leaders across offices in Australia, the People's Republic of China (including mainland China and Hong Kong SAR), Japan and Singapore. Interviewees were invited to share their experiences and perspectives on a diverse range of topics and corporate agenda-defining themes.

These include:

- Defining Leadership
- Technology and Artificial Intelligence
- Stakeholder Engagement and Communications
- Risk, Resilience and Geopolitics
- ESG
- Horizon Scanning

Headquartered in Australia, the People's Republic of China (including mainland China and Hong Kong SAR), the Indian sub-continent, Japan, the Philippines, Singapore and Thailand, the companies represented span the real estate, renewable energy services and supply, pharmaceutical and healthcare, petrochemicals, consumer electronics, entertainment, construction, mining, data analytics, professional services, media and culture sectors.

To ensure the interviewees were free to express their thoughts candidly, quotations in the text are shared anonymously. Contributors who wish to be acknowledged are listed on page 22.

Defining Leadership

More than ever before, the 2020s have seen an increased spotlight on the role of the CEO as they lead companies through a great number of shocks to the world economy and humanity. These events have redefined the role of the CEO, yet most of the leaders interviewed have not experienced more calculable conditions.

Key insights

- The foremost challenge currently and in the immediate future is achieving a working balance between long-term strategy and the ability to remain nimble in the present.
- CEOs must be able to identify and empower teams and employees and cultivate a strong companywide culture that is adaptable and inspired.
- In a complex geopolitical space, flexibility, proactivity and creativity are among the most crucial skills.

The changing face of leadership

Leadership in 2024 means navigating a business environment marked by advancing technology, increasing political risk (roughly 50 national elections are scheduled worldwide this year), climate change, fluctuating investor sentiment, adapting to a fluid interest rate environment and negotiating rapid social change, among other factors. Against this backdrop, no single leadership philosophy is shared across all the CEOs we interviewed, but transparency, flexibility and empathy are frequently cited as crucial skills.

"Two key words come to mind: empathy and motivation," begins an investment management CEO in South Asia. "In all my endeavours, I strive to lead with empathy and inspire others through motivation. One valuable lesson I have learnt as a leader is to consider the exit strategy when undertaking a project... It makes me think more about how I can make the team or company sustainable."

Many CEOs we spoke to concede that strong leadership engenders trust through transparency. This entails taking a pragmatic approach to operations – acknowledging difficult economic conditions during periods of disruption while also balancing liquidity, cash flow and financial commitments. Glossing over market realities is not an option.

"It is important to make an analysis and not underestimate the situation. It is then crucial to explain this to the team. The energy market situation will have a significant impact on our business," says a Japanese renewable energy services provider.

For most Asia Pacific next-generation CEOs, strategic and organisational agility is a prerequisite for confronting those realities, both individually and organisationally. In addition, the rapid pace of change in technology, lifestyles, consumption patterns, work culture and the macro-economy has increased the need for faster decision-making.

"Sometimes you just have to take action, and that means you're making bolder decisions in a much shorter period, and you're prepared to make a lot more mistakes. In such a fast-paced environment, speed trumps accuracy."

President and CEO of a Filipino diversified conglomerate

Planning for the short and long term

The CEOs we spoke to note that making decisions for the long term is challenging at present, but it is not impossible. The COVID-19 pandemic resulted in nimble, short-term decision-making in 2022. That has been supplanted by a fresh set of risks impacting immediate and long-term planning. CEOs interviewed are strategising for the coming two to three years, but are ready to course correct relatively quickly in response to changing market conditions.

"I believe that it's important to plan long term, but we cannot forget about the short term," argues the CEO of a construction services company from Singapore.

"After we've opened a building, what comes in the next five years, and the five years after that? What are we going to do?"

The ability to make quick decisions will be critical in 2024. In this context, ensuring a business model that is simultaneously embedded yet open to disruption is critical. Organisations built around rigid strategies could find themselves subject to swift loss of market share, competitive disruption and regulatory impacts.

That said, some CEOs are leading businesses with inherently long-term operations, and so resist short-term shifts. As an example, the group managing director of a Hong Kong SAR real estate developer notes the three-to-four-year commitment typically required for projects in order to maximise potential, and how complex diverting from that timeline can be.

Leading in a tech-forward economic down cycle

The leaders agree that economic uncertainty and geopolitics is the most significant business challenge they currently face. With interest rates and inflation continuing to put pressure on companies, consumers and investors, CEOs are focusing on sustainable and profitable business models rather than the rapid growth rates often prioritised in the past.

Perhaps understandably, a Japanese pharmaceutical and healthcare solutions provider indicates that "meeting business targets has been the most significant leadership challenge for me." A variety of factors feed into this sentiment, given fundraising and dealmaking were interrupted in 2020, and companies are now tasked with picking up where they left off in a very different economy, leading many CEOs to reference decreased capacity.

"We cannot perform at the same capacity as before the pandemic, so we have to manoeuvre ourselves to find ways to continue our productivity," says the construction services CEO. "We need to find ways to enhance productivity by sending our employees for training and expanding their productivity and capacity. We must also build agility in terms of how we can mobilise our resources."

The CEOs interviewed are united regarding the benefits of AI as an optimisation tool, but in sectors such as media and publishing, digital disruption comes with its own unique concerns. Disproportionate control by a small number of technology conglomerates, the lack of transparency regarding data sources for generative AI and large language models, use of content without proper licensing and unverified content remain unaddressed issues.

Our insights

A high level of engagement remains critical, as does carefully weighing key issues

Leading an organisation entails strategy setting, managing risk, overseeing operations and people and, of course, driving shareholder value. Throughout these key moments, leaders need to bring their stakeholders along for the journey.

In an era defined by rapid technological advancements, geopolitical shifts and unexpected shocks; a crisp and well-communicated strategy is core to generating and maintaining the support needed for execution.

There is also the expectation that leaders will be forthcoming with their positions – both corporate and at times personal – on the defining issues of the day.

From social developments to government policy and the implications of geopolitics and emerging technologies, a view and voice on these themes is increasingly expected.

These issues are not stagnant, nor are the economic and operating conditions in which companies operate. Careful monitoring of changes across themes – and increasingly fragmented channels and conversations – is required so that corporate messaging, positioning and public-facing comments from CEOs remain sensitive and resonant against issues as they develop.

Teneo closely monitors and advises across key economic developments, geostrategic issues, sustainability and governance developments, regulatory changes and social justice issues to ensure our clients' strategies and stakeholder engagement efforts are conditioned against the expectations of their diverse constituencies.

"As a publishing business, our operations have become predominantly digital. Almost 80% of publishers globally rely on big tech for traffic from search engines and social media," says the CEO of a Hong Kong SAR mass media outlet. "Big tech is controlling entry points and narratives of what people see and do not see, and it has gotten to the point where it is unhealthy. We need to be clear on how, versus how not to use AI tools in media; that needs to be disclosed. There has been more clarity, but it will continue to disrupt the space."

Talent remains a target

Recruiting and retaining high calibre, motivated and engaged talent is among the most significant challenges CEOs face in 2024.

"[Our] biggest challenge is human capital. There was a time when the company's profits were not increasing, and some employees departed because they weren't able to relate to the company's future and vision. It was a year in which I thought a lot about how to make the company a place people wanted to stay, even amid difficult situations," says the head of a renewable energy supplier in Japan. "I have become acutely aware of the importance of building a relationship of trust with employees in a deeper sense."

"A company can survive by selling its products even if business performance declines, but human resources once lost are impossible to recover.

Head of a renewable energy supplier in Japan

Talent is key for the media CEO, who states: "The uniqueness of our company lies in the diversity of our organisation, comprising employees of 30 different nationalities. This diversity has been a contributing factor to our success, and we take great pride in it." That diversity, however, must be managed to prevent it becoming a roadblock when differing communication styles and work cultures share a room, specifically Asian and Western approaches. "As a leader, I prioritise results and empower individuals to find their own ways of achieving tasks within the organisation."

One theme that seems to stitch together the views that CEOs share is the need to achieve the right balance between deliberation and action, short- and long-term planning and human and technology resources, among other dichotomies. At the same time, leaders must be agile, recognising that the balance in any one of these areas can change quickly as technology advances, geopolitical situations develop and economic fundamentals change.

Risk, Resilience and Geopolitics

The geopolitical arena has presented the global business community with a great many challenges over the last few years, with 2024 promising to be no different. With the continued fracturing of geopolitical relations and, in some cases, the emergence of conflict, CEOs are faced with decisions that are defining business models.

Key insights

- While regulation across sectors is rising, unified regulation across regions and territories remains elusive, even as the need for guidelines for AI use and data protections increases.
- Responses to supply chain disruptions over the past few years have resulted in greater resilience but also put upward pressure on costs.
- Trade tensions and rivalries have transformed the aggressive expansion of the past into heightened localisation.

The era of localised globalisation

While corporate leaders in Asia Pacific acknowledge the entrenched nature of globalisation, some note a shift away from the "golden era" of past decades. The rampant expansion by multinationals in the Asia Pacific region, much of which underpinned China's double-digit growth in the early-2000s, has peaked. CEOs are now seeing the pendulum swing the other way towards what a China-based industrial patent data analytics CEO calls "localised globalisation." "The current landscape is marked by increased demands from local governments, making it a more intricate process for businesses to invest globally," he comments.

Against this backdrop, what was once seen as protectionism can now be considered risk mitigation. For example, supply chain disruptions of 2020 and 2021 made nearshoring and "China+1" strategies – in which manufacturers have primary production in China and secondary locations in markets such as Vietnam or Indonesia – a viable solution.

Additionally, fast-emerging Asia Pacific economies are increasingly prioritising raw materials for domestic use. For example, the niche magnetic railroad industry and the global CleanTech sector rely on ores from China to operate, but the country's appetite for its own resources is leaving overseas buyers at a loss.

"From a geopolitical perspective, we've seen policy around energy transition and defence implemented across North America, Europe, Australia, the United Kingdom, Japan and South Korea. Everybody's interested in securing critical raw materials," says the managing director of an Australian mining company that extracts the heavy rare earths oxides that are key to clean energy. "Given that there is a finite amount of magnetic and heavier earths likely to emanate from southern China and Myanmar, it's likely to lead to less of those materials being available for Western consumers, manufacturers and industry."

Disruption builds more resilient supply chains

For many consumer goods producers, ASEAN is increasingly supplementing China as a manufacturing centre. Producers of cars, mass market pharmaceuticals, clothing and textiles, consumer electronics and processed foods among other products are shifting portions of their supply chains to Southeast Asian markets such as Vietnam, Indonesia, Malaysia and Thailand. Most leaders agree that trade tensions will continue to have an impact, lending ongoing support to the China+1 strategy.

"The increased trade tension has driven up costs and the need to diversify the supply chain and manufacturing to more sites and more countries in order to mitigate risk. This in turn decreases the economies of scale per manufacturing site and contract, which then further increases the costs."

CEO of a Singapore-based consumer electronics manufacturer

Our insights

Proactive risk management protects business and brand value

The global risk landscape is potentially more complex at present than in the living memory of most of the next-generation leaders we spoke to in Asia Pacific. This includes a wide array of known and unknown risks arising from factors such as rapid technology change, new ways of working, climate change and conflict, among others.

In an environment where risks are manifold and can rapidly change in scope, we advocate that CEOs adopt a risk-aware approach to leadership – crisis preparedness to ensure robust preparation; active response to maintain credibility during a crisis situation; and reputation rebuilding once the crisis period has passed. These steps work in concert to insulate companies as much as possible from the myriad risks they face.

- Preparation and monitoring entails building bespoke crisis management frameworks and scenario planning. We pair this with coaching executives on response strategies, simulations to test crisis readiness and monitoring to assess the evolving risk landscape.
- Active crisis response when a threat arises. This depends on speed and flexibility and draws on experts across global offices with expertise in corporate communications, investor relations and financial communications; media relations; social and digital; government and public affairs and litigation communications.
- Rebuilding is a mid- to long-term undertaking and can be an opportunity to re-engineer operational or structural elements of an organisation and claim or reclaim narrative territory. This includes reputation rebuilding among customers, employees, investors, analysts, partners and others; financial recovery on the back of reputation repair; and parallel efforts to transform cost structures, among other actions.

Teneo's risk identification and ranking process crosses a wide variety of primary and secondary sources. Primary sources include senior advisors who are former CEOs, politicians or academics who provide unique insights to the themes and trends impacting businesses. Secondary sources include traditional and digital media, social media, academic research and others.

Constant scanning and consultation around these materials enable our risk specialists to build and update risk matrices that identify and rank the reputational implications of developments based on specific company or industry lenses.

Shifting regulatory environments

With continued disruption across the geopolitical, social and technological realms, regulatory demands involving investment have shifted from straightforward cash considerations to more complex areas such as hiring practices, investment structures and, most notably, environmental standards.

For example, a leader in China notes the previously accepted Variable Interest Entity (VIE) structure has become a point of contention for regulators and overseas investors alike in the current geopolitical environment. The challenge to VIE could have significant cash flow implications in the tech industry where the structure is widely used.

Meanwhile, continuous exploration and comprehensive understanding of new rules is paramount for tech companies in specialised areas such as data analytics. Heightened vigilance and clear regulation are needed, especially in the context of geopolitical uncertainties and trade rivalries, and where regulations can be amended rapidly and can vary by jurisdiction.

For example, CEOs highly enmeshed in the digital economy are increasingly required to store sensitive information locally. Singapore, India and Indonesia are among geographies with new requirements for businesses to store information such as healthcare and financial data at home.

Against this backdrop, national security concerns demand CEOs respond to threats, real or perceived, the vast majority of which pivot on geopolitical tension and impact financial considerations.

At the same time, leaders note there is no single workable approach to sustainability. Asia Pacific's maturing regulatory and reporting landscape will demand increased attention in the coming year as governments and stakeholders across the region mandate reporting of Scope 3 Greenhouse Gas emissions and energy efficiency performance, among other environmental benchmarks.

This web of regulatory requirements leads one CEO to suggest that, in addition to clearly defined frameworks, a willingness by policymakers to recognise corporate achievements and minimise regulation that negatively impacts business would be welcomed.

Technology and Artificial Intelligence

Companies in Asia Pacific have been early adopters of AI-powered processes and, as the use of AI expands, more are actively exploring pathways to incorporating the technology in their business.

Key insights

- The time has come to concede the operational efficiency and cost benefits of AI integration, as well as its potential to enhance innovation.
- A greater embrace of AI, cloud-based solutions and social media – among other technologies – is necessary and inevitable, but it is necessary to exercise a degree of caution.
- Most leaders indicate that AI must function as a complement to human interaction and input.

AI not yet upending all business models

Despite what often sounds like an existential threat to humanity in the media, CEOs see AI as an invaluable tool that will streamline processes and create more time for human talent to perform other tasks. AI is already at work to varying degrees in many sectors, be it as an internal tool or as a client-facing one, and has proven to be extremely useful for data aggregation and summarisation.

"While AI can improve efficiency to some extent, it is more of a trial-and-error process. Perhaps only around 10% of the work can be handled by AI, while the remaining 90% still relies on humans," says a Chinese digital healthcare analytics leader. "Human involvement is still necessary to carefully analyse and solve problems in healthcare by extracting relevant details. Relying solely on artificial intelligence is insufficient, and content generated by AI tends to be broad and poorly written, lacking the insight of human-written content."

The majority of the CEOs interviewed note that in its present state, AI is a tremendous tool for standardised communications that are necessary, but time consuming. Similarly, AI helps with workflow optimisation by handling mundane tasks and providing creative prompts for the people using it.

As the CEO of an imaging equipment manufacturer in Hong Kong SAR describes it, AI's greatest strength is in boosting efficiency, but it is a tool that lacks "authenticity." "Concepts and ideas often rely on human input. Our focus is on finding the right AI partners to collaborate with, ensuring that we strike the balance between leveraging AI for mundane tasks while preserving the human touch in creative endeavours."

"There are aspects [of our business] that absolutely require manual labour, so rather than seeing it as a threat, I think it might be more about effectively dividing tasks between what humans do and where AI enhances efficiency," agrees the leader at a Japanese sustainable apparel manufacturer.

Even split between those ready and not for AI

The CEOs are divided between those who have adopted, or are ready to adopt, AI tools, but many admit they lack comprehensive understanding of what the technology is and what its applications might encompass.

Our insights

AI holds great potential, but CEOs are adopting a cautious approach

Rapidly evolving technology holds both promise and peril for companies operating amid complex market conditions. Some leaders we work with are cautiously adopting new technologies such as AI, while others have adopted a "wait and see" approach.

For listed companies, there are a few key implications of this. While some are direct beneficiaries of the AI supply chain – e.g., chip or hardware suppliers or algorithm developers – others are facing probing questions from investors, suppliers, partners and regulators.

These questions arise from areas such as intellectual property laws, fiduciary responsibility for advisors who need to clearly illustrate the rationale for investments or investment recommendations as well as geopolitical considerations as certain governments look to ring-fence AI systems and supply chains.

These considerations are leading the CEOs we work with to balance AI adoption with caution, reaping the benefits where practical but not integrating the technology too deeply until regulations firm up and the implications of the technology become clear.

One bright spot for the technology has been its implementation in areas of ESG monitoring, data generation and reporting. This has long been a challenge for companies that are responsible for delivering an increasing number of investor, regulator and other stakeholder-driven ESG reports to quantify performance and progress toward targets.

This has driven varying degrees of AI tool implementation to assist in areas such as:

- Sustainable supply chain management and support for compliance / code of conduct monitoring and reporting.
- Measuring waste and CO2 footprint and reducing them via smart systems / real-time tracking and analysis.
- Green building management in areas such as energy efficiency monitoring and management.
- Climate risk evaluation via modelling the climate impact of a company's operations or an investor's asset exposure.
- Sentiment audit – Companies, including Teneo, are starting to leverage AI to measure sentiment among investors, partners, clients and the general public.

Against this backdrop, many of the CEOs we work with are optimistic about the potential for AI to enhance revenue generation, support accurate reporting and drive innovation. They admit we are early in this process, but expect continued development in the years to come. At the same time, we are working to ensure they are positioned to answer the probing questions they are facing, sharing their visions for AI adoption while showing the guardrails they have in place.

The range of business sectors we explored also suggests the pace of AI adoption will vary. Some industries are judged to carry expectations of more human interaction (e.g., hospitality, corporate services). Others are reliant on privacy, data security and physical labour (e.g., healthcare, energy), and so are cautiously incorporating AI.

"The pharmaceutical biologics industry is not advanced in terms of AI. We are still a manual operation. Biologics is driven by creatures, plants, animals and people, so it is difficult to automate it with technology," says the healthcare solutions CEO. "In pharmaceutical biologics, the use of AI in manufacturing activities could be feasible and could save time. I would like to emphasise that, besides the operation of equipment, 30% to 50% of our time is usually spent on documentation, recording and writing in the office. AI may optimise these tasks."

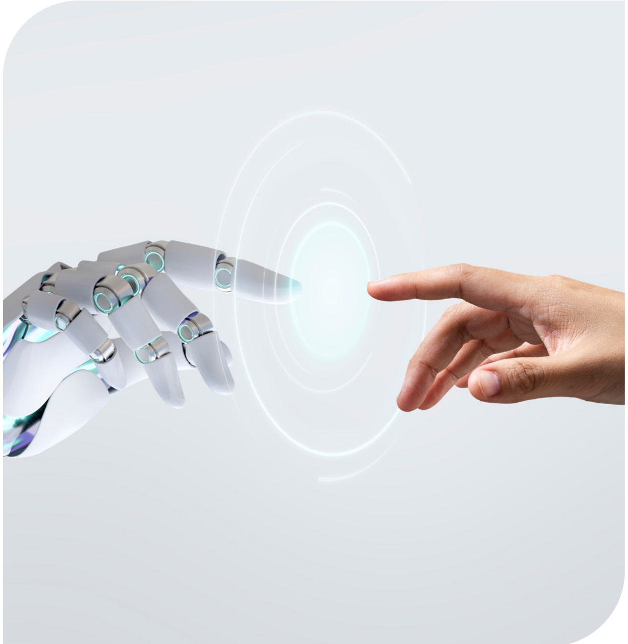
Even in a cautious environment, all recognise the need to be prepared to work with AI because its further expansion is inevitable. Several indicate that inserting it into existing infrastructure at a later date would be more disruptive.

Leaders welcome AI regulation

CEOs are excited about the potential of AI but are expecting, and would welcome, regulatory standards for the technology's use, such as those hinted at by the Biden Administration regarding reporting requirements for AI models with a certain training volume. The consensus is that AI should remain open source and accessible to everyone, but regulations nonetheless need to be in place. The broad use of AI can potentially impact privacy, infringe on copyrights and disseminate misinformation.

"I support the idea of regulating AI," says the analytics CEO. "There is a need for regulation due to the potentially high level of intelligence achievable by AI. The open-source nature of AI models highlights the accessibility for anyone to train their own models. It would be especially important to stay synchronised with the latest information on regulations."

Intellectual property (IP) rights are another issue Asia Pacific's CEOs must contend with, in part due to cost, the ease with which AI can infringe on IP rights and the generally lower priority IP rights take in many of the region's markets when compared to some other jurisdictions.



"Our greatest challenge in AI is how IP protection is implemented. IP sits with the makers for the life of the person plus 50 years after the death of the person. We must pay for it," explains the executive director of a Hong Kong SAR arts and culture institution. "So, when we do anything in that space, it's a cost issue. We build that into our budgets because we can never not pay. This is something we have been advocating for very actively in this part of the world, which hasn't taken copyrights seriously enough."

While copyrights tend to involve creative work, AI is emerging quickly in sectors where accuracy is crucial. There is a nearly unanimous expression of concern over data accuracy, where it's collected from and how it is used. The inability of AI algorithms to gauge authenticity and determine relevance, and as a result output, means that misleading information is an issue. The worry is that in industries such as law, finance, education and healthcare, AI could reach fabricated conclusions, supported by fabricated sources. This brings many leaders to the conclusion that there should be room for a human review process inside any regulatory framework.

"The human-in-the-loop process should be implemented in any industry's AI, particularly in the healthcare industry," says the CEO of a Japanese medical data tool start-up. "A 0.1% data discrepancy can lead to a life-threatening situation in healthcare, so we really need to think about the sensitivity of the AI result."

ESG

Leaders across Asia Pacific remain committed to ESG and are trending towards targeted policy and quantifiable progress against goals. They are simultaneously investing in people.

Key insights

- Sustainability and decarbonisation must be integrated into a company's operational and ethical code to achieve goals and have any success.
- Social and environmental commitments can only be met if governance sets a standard first by aligning business practices with ethical standards and community considerations.
- ESG must pivot from the performative to the demonstrable, with an emphasis on measurable outcomes and tangible results.

ESG as standard operating procedure

Asia Pacific's next generation of business leaders is unanimous in the belief that ESG must be incorporated with any business' core values, as a fundamental component of successful and impactful business operations, now and in the future. None of the CEOs consider ESG a trend to be exploited, but many are cautious of the term itself, which is increasingly being challenged as an empty catchphrase, and are emphasising demonstrable results for 2024.

"Sustainability needs to be front of mind of everyone in the business. It is not the glossy PowerPoint charts that suggest an ESG programme: it is the everyday action taken," states the consumer electronics manufacturer. "From the way products are designed, raw materials are selected and used to recycling of products that have been returned. Since we have battery-driven products, we have given ourselves a target of being at least 10% more energy efficient in every new product over the previous one. [In addition] how we run our operations and offices is important, from choice of energy providers to average temperature settings to recycling of wastewater. So, in short, ESG is in everything we do."

Many of the leaders consider standards for operation to be key to ESG, with supply chains with traceable provenance of materials as a high priority. At the same time, supply chain security is crucial in industries such as renewable energy and energy transformation, with the latter of which offering a premium opportunity to pivot businesses towards a more sustainable future.

Engaging with local stakeholders and clearly communicating the environmental advantages that will ultimately be realised is seen as essential.

For many of the CEOs we spoke to, ESG is already baked into the DNA of their businesses, either by necessity or philosophy. Renewable energy sector operators without clear ESG mandates have no credibility, while manufacturing, hospitality and real estate – responsible for nearly half the world's carbon emissions annually – can be viewed as bearing more social responsibility.

At the same time, manufacturing industry leaders recognise the frequently higher volumes of emissions their industry can produce, and all are amenable to complying with local and international government guidelines and regulations. However, consensus is crucial. "We have to work as a value chain or as an industry, and not a single company," says the CEO of a Southeast Asian petrochemicals producer. "A single company cannot solve the problem, but we're trying to work alongside the value chain – from the consumer to the waste managers, and all the way to brand owners and manufacturers."

This sentiment is echoed by the CEO of the sustainable apparel brand: "If our management does not address ESG principles, our company's reason for existence will be compromised. ESG is an essential aspect for us. Our aim is to demonstrate a tangible success story by ensuring profitability through ventures conscious of ESG principles."

Governance first, then E and S

There is widespread agreement that without strong corporate governance, environmental sustainability and social impact initiatives cannot be realised. For most, good management is the foundation of "E" and "S" responses. As stakeholders exert more pressure to meet ESG goals and increasing numbers of sustainability frameworks, CEOs are recentering governance as a starting point for leadership.

"The 'G' is important in terms of our platform; we have private investors, [and so] we are highly accountable and need to be visibly accountable. This is important to me as a leader," says the CEO of a Hong Kong SAR property developer.

In addition, good governance means ensuring suppliers, employees and end-customers are aware of and understand a company's environmental and social commitments, particularly in industries that can have significant environmental impact, such as manufacturing. Going forward, CEOs will also need to secure talent with the skills required to implement policy and respond to mandates from regulators and investors.

Our insights

No one-size-fits-all ESG solutions for Asia-Pacific markets

2023 was a year in which Teneo's CEO clients found themselves navigating dynamic regulatory landscapes which required growing emphasis on ESG compliance. Against this backdrop, we helped leaders interpret and adapt to evolving regulations, enabling them to stay ahead of the curve.

At the same time, we were asked to help address elevated investor and stakeholder expectations as the region saw investors, regulators and other key stakeholders demanding more evidence of robust ESG performance. The convergence of technology and ESG proceeded hand-in-hand with this shift, with clients leveraging emerging technologies to support ESG initiatives and generate the data needed to meet related compliance and reporting requirements. The net result of these trends was a pivot towards operating models built on actionable long-term sustainability commitments that go beyond climate, with the social pillar in particular rising in prominence.

As we enter 2024, Asia-Pacific CEOs find themselves operating amid a rapidly evolving business landscape where ESG remains centre stage. Against this backdrop, Teneo is increasingly providing advisory support to leaders looking to further develop and amplify their climate leadership ambitions and deepen the connections between ESG target setting and their core business strategies.

From this perspective, having the right insights and advice is crucial. Companies are grappling with increasing regulatory complexity around ESG. We are helping a range of clients with highly technical climate transition plans to "boil them down" and clearly and consistently communicate what their plans mean internally for their employees and externally for investors, regulators and the communities they operate in.

Core to this undertaking is a combination of deep market knowledge and focused consultations with CEOs and management teams to learn their unique business traits and corporate culture before offering strategy implementation solutions. This helps to ensure that proposed solutions are fit for purpose in Asia Pacific's diverse economies, cultures and geographies rather than being "one size fits all" solutions imported from other regions or industries.

Stakeholder Engagement and Communications

Current economic, social and political complexities demand CEOs regularly communicate business strategy and how they are addressing market challenges to drive value creation. Investors expect increased engagement with CEOs to understand how the organisation can be insulated from risk or capitalise on opportunities.

Key insights

- Communication is increasingly targeted, with headline messaging adapted to drive direct engagement with specific stakeholder groups based on nuanced understanding of their interests.
- CEOs are required to effectively balance diverse stakeholder interests with transparent and actionable strategies and tactics.

Recognising diverse stakeholder groups

Clearly communicating strategy is, like many aspects of business in 2024, an evolving function, and one that must constantly adapt to more effectively address a broader range of stakeholders. Direct articulation of corporate direction applies to all, but frequency of communications and the channels through which they are conducted are often tailored by group. This is subject to expectations, reactions and intended call-to-action.

"What we're trying to do ultimately is deliver in the best interests of all stakeholders," explains the Managing Director of the Australian mining business. "The benefits for shareholders are reflected by increasing share price, balanced around actually getting a project to production and being able to show the provenance of the materials we're producing sustainably in emerging supply chains to support advanced manufacturing to energy transition, communications and defence. The company can thrive and create an environment for the employees to thrive in. If we can stick to the overall strategy and execute the plan, then we're able to manage the demands of all of our stakeholders in the long run."

The pandemic refocused attention on employee health and wellbeing, a trend that has since been amplified by the risk of talent flight.

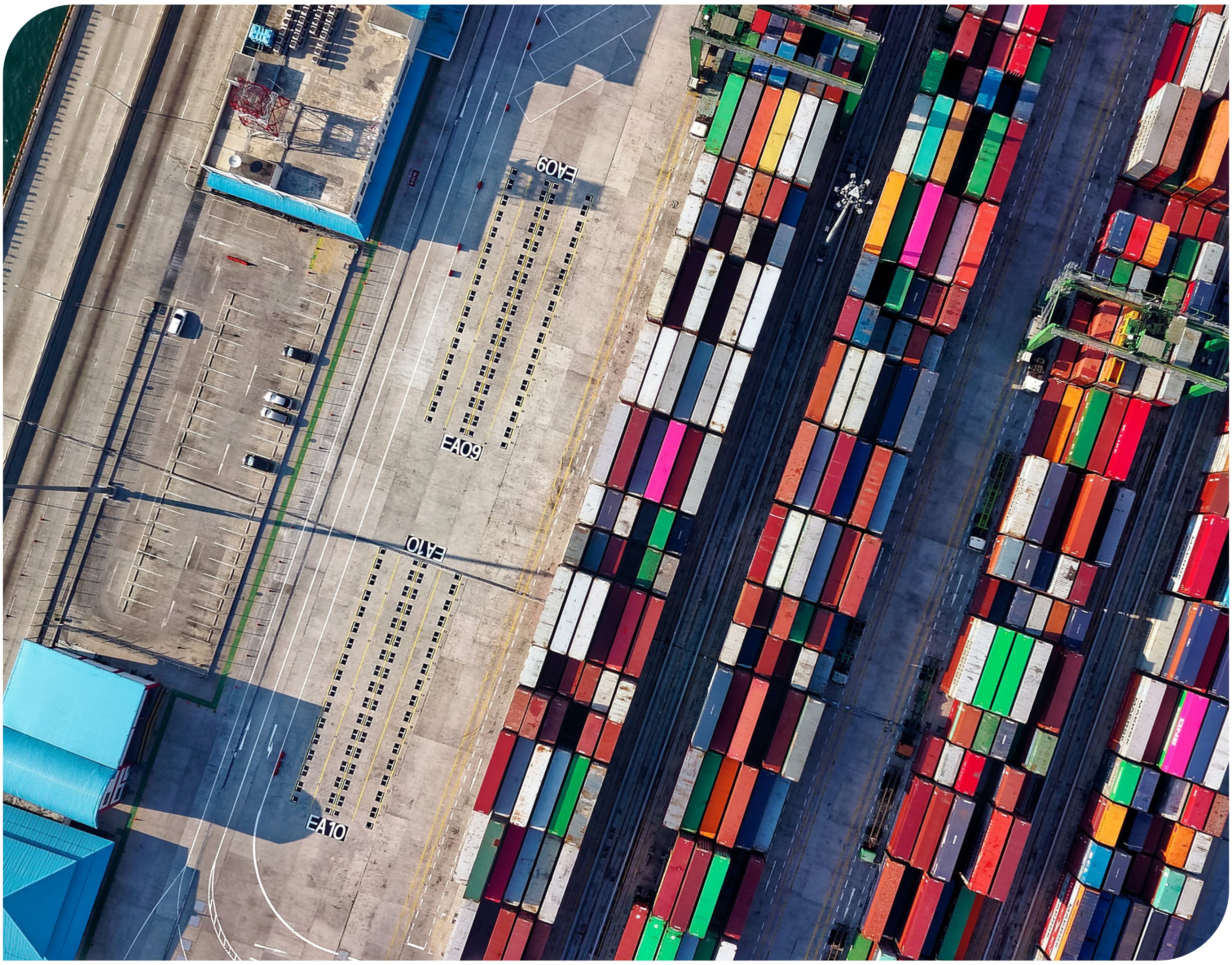
As such, employees remain a prominent stakeholder group. "They are also a key stakeholder of the company. Every Tuesday morning, I invite managers to attend a voluntary senior management meeting to help all the employees see the larger picture of the business," says the executive chair and CEO of a Singapore-based digital entertainment experiences creator.

Alongside employee engagement, communities and the public are crucial stakeholders in arts, culture and media. "It takes up a lot of my time, but this is about legacy building and giving back to the community in the future," says the Executive Director of an arts and culture institution. "Museums, in general, enjoy higher levels of public trust in terms of knowledge compared to media or political institutions. This global fact places significant responsibility on us."

Transparency is key to financial communications

Many CEOs are adopting more customer-focused approaches that develop a related value chain and respond to end-user demands. The renewable energy supplier head points to aggregating feedback, assessing the necessity of services and gauging customer satisfaction as some of the pathways to identifying areas in need of improvement in 2024 and beyond.

Several of the CEOs we interviewed highlight the importance of transparency and authenticity when engaging with stakeholders. In a geopolitically fraught, post-pandemic environment defined by weakening economic growth, financial stakeholders are demanding greater accountability and foresight.



CEOs must be able to demonstrate a company's stability, provide regular insights regarding growth and performance and assure investors and boards of directors that contingency plans are in place in the event unforeseen or predicted challenges arise.

Being transparent and clear with regard to financial performance remains among the CEOs most critical duties. Similarly, changes to business strategy need to be clearly communicated to the employees that will be tasked with carrying out or transitioning to new strategies.

Exploiting emerging technologies

Asia Pacific consumers have been among the world's fastest adopters of new technologies, and the region's CEOs are no different. Many utilise multiple digital platforms and social media networks for stakeholder communications.

The informal nature of those formats signal robustness and currency, and are among the digital tools – which include email, purpose-built apps, virtual townhalls and investor roadshows and regularly scheduled newsletters – leveraged for effective engagement.

"Communication is ultra-critical. I communicate with my stakeholders informally via WhatsApp or WeChat 80% to 90% of the time instead of just meeting with stakeholders formally once or twice a month. It is important to keep them excited and associated with the brand through informal engagement, videos and photos of events we have," explains the digital entertainment experiences CEO.

The CEO of a Singapore-based corporate services provider further argues that cloud-based platforms should be embraced holistically across regulator, service provider and consumer. "We have a presence in Southeast Asia, Hong Kong [SAR], southern China and Australia, markets with a high degree of preference for hybrid communication. Ours is not a virtual kind of business as we need to be in front of people and build relationships. ... I don't think we're going back to a world of fully physical meetings, so [even] complex regulated meetings are definitely going to be virtual going forward, and there needs to be consideration for this amongst all the key stakeholders."

Our insights

Strategic approach to corporate and equity narrative moves the needle

Strategic stakeholder engagement is key to ensuring clear understanding of a company's business strategy, path to value creation and thought leadership. It starts from determining who those stakeholders are, their order of priority and optimal cadence of engagement. In the stakeholder mapping work we undertake for clients, we've witnessed how this impacts the narrative development process, engagement strategies and outcomes. Ultimately, Teneo aims to maximise outcomes while optimising the CEOs' bandwidth.

Today's fast-evolving markets necessitate an "always-on" mentality as emerging technologies and communication channels become mainstream parts of corporate playbooks. This environment can drive share price volatility, as investors are sensitive to negative news flow. The growing preference for hybrid communication amplifies outreach and connectivity across global markets, enabling increasingly real-time accessibility to CEOs. This, however, should not come at the expense of in-person engagements, as the personal touch exudes authenticity, as highlighted in capital market days that we design for clients.

In a world where change is the only constant, transparency has emerged as a top priority for CEOs. It is increasingly important to enhance disclosures – such as providing clear roadmaps to enhancing profit margins and returns on equity – as capital market stakeholders demand business visibility amid market dislocation, uncertainty and volatility. Apart from shoring up investors' confidence, it improves stakeholders' understanding of a business by providing a clear roadmap of objectives, targets and initiatives. Upholding the spirit of treating all stakeholders equally and consistency in narratives across internal and external stakeholders is key.

CEOs balance virtual engagement

As standard as online engagement may now be, social media channels continue to be utilised with caution. Citing the frequent unreliability of content and the lack of depth that are hallmarks of outlets such as Instagram, LinkedIn and X (formerly Twitter), most of the CEOs we spoke to utilise social platforms in moderation when communicating with stakeholders.

One CEO characterises it as a race to communicate with stakeholders to prevent them from receiving misinformation. In this context, striking a balance is crucial to ensure that communication is not rushed.

"Social media has proven to be disruptive because it introduces uncertainty regarding what information other parties are receiving through their social media channels. Lots of information is not validated, and quality and accuracy are not the key focus."

Hong Kong SAR real estate developer

The personal touch remains core

In-person communication remains the preferred channel, now and going forward, particularly in consumer-facing sectors such as hospitality, entertainment and arts and culture. Several of the CEOs agree that communicating to investors is more efficient in person and that, from an internal perspective, a distinct corporate culture can only be forged via authentic and in-person interactions.

"The ability to sit down with capital partners face-to-face as opposed to endless Zoom calls has been tremendously beneficial as a way to build trust and obtain commitments," says the hospitality real estate investor. "Work-from-home arrangements are something we have to work with and do have a role. But you still need an office setting and interaction to create the 'glue' that bonds a corporate culture; people need to pop into colleagues or managers' offices to chat, exchange ideas and build trusting, collaborative relationships. I think the work-from-home environment waters that down significantly."

Horizon Scanning

The coming 12 months are forecast to be defined by yet more geopolitical stressors for Asia Pacific's leaders to contend with alongside ongoing technological change and heightened commitment to combatting climate change. Regardless, CEOs are cautiously optimistic about the future.

Key insights

- Half the world's eligible voters will go to the polls, with crucial elections in India, the EU and the US, ensuring geopolitical dynamics will remain a substantial challenge for CEOs in 2024.
- Demographics will be a significant business driver in the coming months and years as populations age and working age cohorts shrink.
- Attracting talent and AI adoption are not mutually exclusive, and the latter could become a major factor in talent retention.

Talent considerations

The ongoing global labour shortage in the hospitality sector, which is impacting hotel operators and airlines among other industries, is just one example of how an inability to attract or retain talent is impacting businesses in the post-pandemic world.

As a key resource, offering employees the flexibility of new work models and room for personal and professional growth is a crucial factor for CEOs looking to attract top talent. As a vital aspect of recruitment, CEOs in markets where new work models are entrenching will be required to find the balance between flexibility and reduced productivity, as well as between distinct workplace cultures and attitudes in Asia Pacific and other parts of the world.

Contrary to prevailing anxieties, executives believe AI will be a tremendous aid in keeping people engaged. "Where I see the potential for the technology to be used is to do things better, and that's ultimately what we should all be striving for. To do better tomorrow than we did today. We're able to achieve that through new tools that are available to us, and we should be embracing them," comments the MD of the mining firm.

People will remain among leaders' key sources of insight

For many of Asia Pacific's leaders, knowledge, insight and trend anticipation come from multiple media and formats, and the key to remaining informed is to ensure diverse viewpoints among those sources that can help formulate personal solutions and perspectives. Among the most frequently cited are traditional news media outlets such as The Economist, the Financial Times, Bloomberg and the Wall Street Journal; modern outlets such as subject-specific podcasts; academic sources such as the MIT Technology Review; and consultancies.

Also vital to staying informed are personal networks, face-to-face conferences and interactions with colleagues and professional peers. "I use my personal network as reliable sources and as a safe way to discuss problems and seek insight into solutions," says the healthcare solutions CEO. "I've kept in touch with my previous business contacts and friends domestically and globally for 20 or 30 years. Pharmaceutical healthcare industries are very much dependent on people connections. Private networks cannot be developed within a year or two; it takes time and effort to build them, and they are extremely useful, as they give me new perspectives and fair opinions."

Perhaps ironically, some of the region's most technology-forward leaders do not lean heavily on social media for insights due to what many consider inherent bias.

Emerging sectors turn human-centric

Technology will continue to be a major force in standard operations in the coming years, but the scope of emerging business sectors for CEOs to watch is broad and underpinned by demographics and experience. Most prominent are healthcare, biomedical and life sciences, followed by the senior living real estate sector and creative industries.

As Asia Pacific ages, the leaders we spoke with expect pharmaceuticals and data-driven healthcare to continue expanding, despite increasing regulatory challenges and an investment environment clouded by economic uncertainty. In this context, senior housing is seen as a sustainable asset class resilient to war and thorny geopolitics, while creative industries – predominantly at the intersection of arts, fashion and retail – are seen as slanted towards future generations and having the potential for worldwide appeal.

Lastly, AI and tech-powered education is seen to have the potential to be a significant growth sector. The diversified conglomerate CEO expects the broad adoption of ChatGPT to reconfigure the fundamentals of how we learn in the same way that AI is already disrupting telecommunications, banking and digital services.

Risk will emerge from familiar corners in 2024

Nearly all the CEOs in this year's report point to volatile geopolitics as the most significant risk factor they will face in 2024.

Speaking days before conflict erupted between Israel and Gaza, the Japanese energy services CEO cautioned of the impact that increasing energy prices could have on renewables adoption. "In such situations, people tend to prioritise price over sustainability. Power plants and nuclear power plants are compelled to operate at higher capacities, leaving limited power available for the sustainability market, which includes renewable energy, batteries and EVs. I sincerely hope that such a situation does not occur."

Linked to volatile geopolitics are elections, and in 2024 two billion voters will be heading to polls in 50 countries – among them India, Russia, South Africa, Mexico, EU member states and the US.

"The focus for the next 12 months will be on the US economy due to upcoming elections," states the imaging equipment manufacturer.

"Over half the world's population is going to be voting and it's a huge election year. It's going to be massively distracting and will be complex, with changes in legislation. This is going to play into the uncertainty in our space."

CEO of a Singapore-based corporate services provider

Our insights

Horizon scanning and analysis identifies risks and opportunities

Threat and reputational risk monitoring is at the heart of horizon scanning, which entails analysing the ever-growing body of information in the market to identify where a company or individual might be exposed. The areas of potential vulnerability are innumerable, but include a broad range of political, social and economic factors that impact a company's operations, supply chain, employees and partners, among other areas.

And these vulnerabilities have been exacerbated by the advent of AI, meaning the stakes for horizon scanning have increased significantly. Teneo addresses this complex landscape through a variety of approaches: monitoring and analysing information across the internet, social media channels, traditional media such as newspapers and wire services and unstructured information in online discussions, among others. This lays a foundation for:

- Digital exposure analysis, which monitors and examines a company or an individual's online footprint to identify potential risks to reputation, susceptibility to cyber-attack and vulnerability to phishing or identity theft, among other threats.
- Disinformation analysis, where online environments are analysed to identify the risk of disinformation campaigns. This is an area that has attained new urgency since the emergence of AI, which can be harnessed as a tool to drive targeted disinformation initiatives or propagate disinformation based on "fabricated facts" within generated content.
- Reputational risk assessments in line with the crisis management protocols outlined in the Risk, Resilience and Geopolitics section of this report.

As horizon scanning monitors for risk, information gathering can highlight market trends or developments that could emerge as new drivers of revenue or efficiency. AI is emerging as a powerful tool in this area, helping our teams sift huge quantities of qualitative data to identify the most salient trends and topics and to highlight connections to existing business areas.

In addition to dozens of elections, the BRICS bloc is demanding attention. "Right now, I am most curious about BRICS. One key point is how developed economies such as Japan, the US, the UK, France and Italy will engage with BRICS," says the renewable energy supplier. Egypt, Iran, Ethiopia, Saudi Arabia and the United Arab Emirates are expected to join the bloc in 2024.

The uncertainty in economies and leadership will translate to a challenging environment for start-ups, many of whom expect muted investment in 2024. "The financial situation is not good, and the appetite for investment in start-ups is low," explains the medical data tool start-up CEO. "The big concern is whether they will be able to generate sales in the US in the short term. In Japan, government subsidies are still substantial and support entrepreneurs, so making sales is not as difficult as in the US."

Conclusion

The Asia Pacific CEOs we spoke to for this year's report are not sanguine about the challenges that they face but, as noted, have never known calm market conditions. Rather, they have grown up at a time when serious questions are being asked of leaders, not least during the Global Financial Crisis in 2008 and the COVID-19 pandemic.

Geopolitics have been fractious alongside the rise of China, tech disruption has been continuous as software and hardware has developed at unrelenting speed, the climate crisis has emerged as an existential threat, stakeholder voices have multiplied and the horizon has rarely seemed less clear.

Against this backdrop, many of the leadership and business models that next-generation CEOs employ are a direct result of these changes. Indeed, as we talked to CEOs it became clear that their leadership models are inseparable from influences such as deeply held commitment to environmental responsibility and innate understanding of the need to balance stakeholder engagement across in-person and technology mediated platforms. At the same time, many of their business models would seem alien to a leader 25 years ago, as newly emergent and rapidly developing technology is either core to or deeply connected to their business models.

Despite the CEOs' apparent comfort with quickly changing conditions, we were struck by their general reticence when asked about expected developments and trends for the year ahead – horizon scanning. All recognise the importance of long-term planning, but almost all hedged their bets, highlighting the unprecedented degree of uncertainty in the political, social and economic landscape and the need to be ready to change strategy at a moment's notice.

This need for nimbleness was unsurprising when we published our first next-generation CEO report, which came out when the shadow of COVID-19 still hung heavy over the region. The fact that it persists is testament to the pervasiveness of the polycrisis environment highlighted in this report.

This need for nimbleness was balanced by the leaders' deep awareness of the need to seek out complementary sources of insight amid heightened uncertainty. Leaders today spend significant energy establishing and maintaining networks, and those we spoke with cited academics, consultants, board members and industry veterans as sources of counsel they cannot do without.

The old axiom holds that "the only constant in life is change." Teneo found this to be true for the next generation of Asia Pacific CEOs regardless of market and industry. Despite this, we were pleasantly surprised to find these leaders up to the challenge and ready to drive innovation and growth amid, despite and even as a result of uncertainty.

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