

# C-Suite Challenge™ 2019

## The Future-Ready Organization

HOW CEOs AND C-SUITE  
EXECUTIVES ARE TRANSFORMING  
FOR THE FUTURE—OPPORTUNITIES  
AND CHALLENGES AHEAD



# C-Suite Challenge™ 2019: The Future-Ready Organization

How CEOs and C-suite Executives Are Transforming for the Future—Opportunities and Challenges Ahead

RESEARCH REPORT 1676

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# Executive Summary

When senior executives paint the picture of what the organization of the future looks like, what emerges is an archetype of a company that puts the customer at the center, reshapes the way we work, and achieves the elusive balance between short-term goals and long-term vision. Reaching this ideal requires a comprehensive, holistic approach. In this year's **C-Suite Challenge™** survey, CEOs and C-suite executives outline their concerns about what lies ahead and their vision for how their organizations will thrive in 2025 and beyond.

## Hot-Button Issues for 2019

Hot-button issues are short-term events and situations that executives believe will require a special focus in the coming year. It's worth noting that meeting these short-term challenges can often divert attention and resources away from the commitment to medium- and longer-term growth strategies.

**External Impacts: CEOs brace for a turbulent business environment in the short run** Although our economic indicators do not point to imminent recession risks (the UK being one notable exception), global CEOs nevertheless indicated this is their top concern in the coming year, closely followed by disruption of global trade systems and global political instability. There is little faith this external turbulence can be contained by the traditional levers of power—public policy and political institutions. Among the top concerns of CEOs globally, especially in Europe, Latin America, and the United States, is declining trust in these institutions.

**Internal Concerns: Talent, disruptive technologies, and managing costs keep CEOs up at night** Talent is CEOs' top internal hot-button issue for the coming year. While cost control also reemerges as a critical issue, the impact of digital technologies is clearly being felt within organizations as an urgent need to reexamine current business models.

Chart 1

### Stressors ahead: recession risk and trade threats; finding talent and creating new business models

What are the top issues that will require your greatest attention in 2019 in relation to the external environment and internally within your organization? (Percentage of CEOs citing the issue among their top 3 concerns)

EXTERNAL		INTERNAL	
Recession risk	44.4%	1	Attraction and retention of top talent 61.7%
Threats to global trade systems	38.7	2	Creating new business models because of disruptive technologies 52.2
Global political instability	37.8	3	Developing Next Gen leaders 41.2
New competitors	29.0	4	Better alignment of compensation and incentives with business performance 27.0
Declining trust in political and policy institutions	27.8	5	Reduction of baseline costs 21.5

N = 795, CEO responses only  
Source: The Conference Board - C-Suite Challenge 2019

# What Will Organizations Look Like in 2025?

**The short answer:** Very different. CEO respondents believe successful organizations of the future will: **Achieve balance** between long-term vision and short-term performance pressures



42%

of CEOs globally consider this the top hallmark of operational efficiency, ranking it #1 out of 14 options



**Be highly customer centric**, moving from a product orientation to servitization, offering service support in addition to or instead of traditional product offerings



**Redefine work** with agile, fluid teams as the new work nexus



**Blur internal and external boundaries** as hierarchies and bureaucracies fade in favor of flexible structures and innovation ecosystems



**Have leaner functions** as AI translates into a higher cognitive complexity of human work



**Enhance cross-functional** and geographic collaboration with new technology



**Make faster, data-driven decisions** supported by agile methodologies and design thinking



**Practice greater inclusion**, transparency, and information sharing to drive engagement



**Invest in more individual coaching** and mentoring to cater to new generations in the workforce and leadership ranks



**Offer future leaders more** cross-functional rotation experiences to broaden knowledge



51%

see sustainability as a growth driver



55%

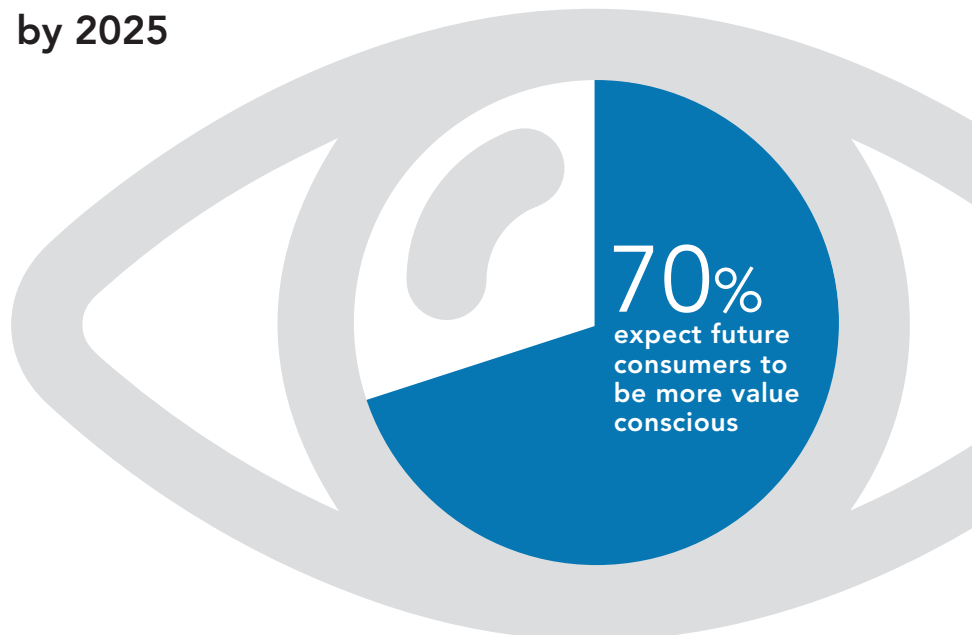
see improved customer experiences as a key business outcome of future technologies



63%

see strong customer data protection processes as a future competitive advantage

**43%** cite lack of talent and skills as a barrier to future innovation, making it the biggest obstacle to overcome by 2025



## Moving toward the Future-Ready Organization

**In a slowing global economy, ROI from digital transformation is a burning platform** With more than half of CEOs citing the need for creating new business models to remain competitive in 2025, it is clear that organizations need to move quickly from the installation phase of experimenting with digital platforms to the deployment phase of creative destruction that results in the rapid adoption of products and services that translate into bottom-line results.

**Balancing long-term vision and short-term performance is the number one hallmark for future organizational success in 2025, CEOs say** The danger in a slowing economy is succumbing to the temptation to skimp on both time and resource investment in the digital future to boost short-term results, jeopardizing future competitiveness.

**Customers place a higher value on the experience of using a product than on the product itself, and CEOs see enhancing “the experience” as the way to future success** “Servitization”—offering service support in addition to or instead of products—is in; product-centricity is out. Almost 70 percent of CEOs see servitization as a critical success factor in dealing with future customers. Sixty-three percent see digital ethics as a competitive advantage.

**CEOs see lack of skilled talent as one of the few obstacles to innovation that will get worse, not better, by 2025** Future talent issues will be further complicated as work is redefined and companies must acquire or develop workforce skills that may not be at the core of present operations.

**Developing the next generation of leaders is critical to future success. But is there enough emphasis on developing digital skills?** Investments CEOs will make to get future leaders ready include improving the quality of formal training and offering more cross-functional rotational opportunities—sweet spots for millennials. But they may be missing a critical piece of the developmental puzzle—exposing leaders to digital experiences. Less than one-third chose providing this experience as one of their top three leadership development investments.

**More regulation is coming, but is it an obstacle or an opportunity?** CEOs globally anticipate increased regulation of data privacy, environmental impact, social media, food safety, autonomous vehicles, and drone technology. For some firms, regulation means additional costs. For others, it provides an opportunity to take advantage of the evolving regulatory playing field with new products and services.

**CEOs’ holistic view of the sustainable enterprise of the future centers on talent and value creation** Fifty-one percent of CEOs believe successful companies of the future will see sustainability as a value driver for growth, and just under one-third see it as a tool for talent retention and engagement.

**The high level of confidence CEOs express that their current cultures will be successful in 2025 should raise questions** Many organizations struggle on their journeys toward achieving digital transformation—with organizational culture being a critical obstacle. CEOs may be underestimating the heavy lift and myriad changes true transformation requires.



## Blind Spots Our Research Illuminated

Overcoming resistance to change is never easy. We know that greater transparency and an inclusive culture will be foundations of future success, yet CEOs in our survey appear to underemphasize a few key elements that will build an open, inclusive, and engaging culture:

**Gender pay gap** Asked about the top traits that will define a truly inclusive organization, only 7 percent of CEOs picked *mandates equal pay for equal work*. The option ranks 14 out of 15 globally, yet our research shows that monitoring and ensuring pay equity between men and women in leadership roles is the most effective way to increase the representation of women in leadership ranks.

**Work-life balance** Lack of work/life balance is a critical reason women opt out of management, which affects not only diversity within an organization but succession planning as well. Only about one-quarter of CEOs list *improve work-life balance of managers* among their top three priorities. And relatedly, female CEOs constitute only 15 percent of our entire survey sample.

**Innovation obstacles** CEOs see neither *having an insular culture/unwillingness to partner outside the organization* nor *lack of diversity and inclusion in teams* as important obstacles to innovation, either now or in the future. They may be convinced that their culture is already open and their teams already inclusive, and they may be right. But our research in this area as well as conversations with our members has identified insular cultures and lack of inclusion as among the biggest current barriers to innovation and digital transformation.

**Rewarding teams** The failure of both HR executives and CEOs to prioritize a companion strategy to developing agile teams, *effectively recognizes and rewards team outcomes*, is a red flag. About 10 percent of HR executives and less than a quarter of CEOs cite it as a top three human capital management strategy. Traditionally, organizations differentiate rewards based on individual performance. But pitting employees in head-to-head competition also drives out collaboration. As teams become a centerpiece of human capital strategy, companies need to emphasize the collaborative aspect of culture, or they risk developing agile but poorly performing and unmotivated teams.

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### About C-Suite Challenge™

Since 1999, *The Conference Board CEO Challenge*® survey has asked CEOs across the globe to identify the most critical issues they face and the strategies they intend to meet them. Since 2017, the *C-Suite Challenge*™ has expanded the survey pool to the C-suite. This year's survey, conducted between September and October 2018, asked 1,426 C-suite executives, including 815 CEOs across the globe, for their views on the Organization of the Future through 2025.

# Hot-Button Issues for 2019

## Slowing Global Growth Challenges the Status Quo

Companies are evolving all the time: they grow; split off into smaller parts; acquire and divest; innovate products, processes, and services; adopt new technologies; and engage differently with their customers and employees. And so it has been for centuries. But today, companies as we have known them are grappling with fundamental paradigm shifts. Regardless of past success, disruptive forces are rendering company and industry-wide structures obsolete, profoundly altering the way we work and how companies create value. The shattering of long-held business truths requires the reengineering of business models and processes, as well as rethinking interactions with customers, employees, and other stakeholders.

These changes are materializing in a peculiar moment of the economic cycle. Global growth reached 3.2 percent in 2018. However, our [Global Economic Outlook 2019](#) estimates global growth has peaked and will begin declining, dipping to 2.9 percent by the end of the next decade. Not surprisingly, this edition of our survey finds the top external concern for CEOs is when and where the next recession will hit. Now that growth has plateaued, business leaders feel they are sitting on a peak, looking down over the edge.

The risks and opportunities companies will face, regardless of their location, will be shaped by these seven megatrends:<sup>1</sup>

- 1 Demographic shifts** Growth of the global labor supply, especially in most mature economies, will vanish at the beginning of the next decade. This will be a unique event in modern economic history, posing challenges to companies to find other sources of growth.
- 2 Technological change** To raise productivity, business needs to move from installing to deploying digital technology. Often a crisis marks the transition between the two phases.
- 3 A richer but slower world** Large emerging markets have become much richer but will grow more slowly and contribute less to global growth.
- 4 Globalization challenged** The global economy's playing field is becoming more unlevel, and it is harder to leverage competitive advantages across regions.
- 5 Natural and environmental disasters** These are creating economic losses and threatening key natural production resources (land, water, air).

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<sup>1</sup> Bart van Ark, *StraightTalk® Global Economic Outlook 2019: On Top of the World...Looking Over the Edge*, The Conference Board, November 2018.

- 6 **Rising inequality** Not everyone benefits equally from global growth. Differences in national and personal incomes continue to widen, threatening social and political stability.
- 7 **Debt** Consumer, corporate, and government debt continue to rise as too much capital is underutilized for productive purposes.

These trends are already having a profound impact on operating environments and organizations. In this evolving environment, we asked CEOs and C-suite executives for their views on how the organization of the future will look: how it will be structured, how it will manage people, and what changes need to be made to thrive in 2025. That CEOs are preparing their organizations to meet the future business landscape fully emerges from our survey responses. Companies are envisaging new ways of working—partially as a reaction to demographic pressure and talent shortages. They see consumer expectations and habits changing, driven by technological advances and by large emerging markets becoming much richer in recent decades.

In the New Digital Economy, the ability of established businesses to digitally transform themselves, their culture, their organizational structure, their workforce, their suppliers, their market strategies, and their mindset will dictate future success.

## External Hot-Button Issues: Recession Risk and Global Political Volatility

We define hot-button issues as short-term events, issues, and situations that CEOs and C-suite executives believe will require a special focus in the coming year.

**CEOs brace for a turbulent external business environment in the short run** Even though leading economic indicators from The Conference Board do not point to imminent recession risks (with the notable exception of the UK, where Brexit has created a stronger risk), global CEOs are concerned about this risk more than any other for the coming year. In our previous year's survey, global recession was nineteenth on CEOs' hot-button lists.<sup>2</sup> However, other external hot-button issues such as global political instability; disruption of global trade systems as anti-globalization sentiment takes hold in most regions; and the emergence of new, more agile competitors are creating extraordinary turbulence. There is little faith this external turbulence can be contained by the traditional levers of power—public policy and political institutions. Among the top concerns of CEOs globally, especially in Europe, Latin America, and the United States, is declining trust in these institutions.

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2 In previous editions of the C-Suite Challenge™ survey, the external and internal hot-button issues were one combined list. This year we broke that list into two—external and internal issues—to provide more granularity.



When it comes to the external stressors, there are significant differences across regions and industry sectors:

**China and Latin America feel recession heat** The risk of recession is most acutely felt by CEOs in China, Japan, and Latin America, though it is high on the list in every region. In China, “recession” risk is likely associated with a slowdown in growth rather than a contraction of the economy, which defines a real recession. Concerns are amplified over what CEOs there see as growing threats to existing trade systems, punctuated by the festering dispute with the US. CEOs in Japan share this same level of concern.

**Cyber insecurity in the US** As business vulnerability to cyberattack grows—the US government estimates that malicious cyberactivity cost the US economy between \$57 billion and \$109 billion in 2016<sup>3</sup>—CEOs in the US rank cybersecurity as their number one external hot-button issue by a considerable margin compared to their global peers. CEOs in China are least concerned, with just under 10 percent ranking it as top three concern, compared to almost 45 percent in the US.

Table 1 **Globally, recession concerns dominate for all the C-suite; regionally, CEOs worry about cybersecurity in the US, currency volatility in Latin America, and political instability in Europe**

What are the top 3 issues that will require your greatest attention in 2019 in relation to the external environment?

EXTERNAL HOT-BUTTON ISSUES	CEOs Overall	US	Europe	Japan	China	Latin America	Other C-suite
Recession risk	1	3	2	1	1	1	1
Threats to global trade systems	2	4	5	3	2	8	2
Global political instability	3	6	1	1	3	3	5
New competitors	4	2	4	4	7	5	3
Declining trust in political and policy institutions	5	5	3	6	6	4	6
Cyber security	6	1	6	8	10	7	4
Currency volatility	7	11	8	11	5	2	7
Rising interest rates	8	7	9	9	11	6	10
Uncertainty in corporate tax policies	9	10	10	12	4	9	12
Income inequality	10	8	12	7	9	11	11
Impact of climate change on our business	11	9	13	5	12	10	9
Volatility in energy prices	12	13	11	10	8	12	8
Effects of Brexit	13	14	7	14	14	13	13
Terrorism	14	12	14	13	12	14	14
	N = 795	N = 132	N = 317	N = 79	N = 118	N = 31	N = 591

Note: The total N for the five regions listed is 677; the overall N of 795 includes respondents from regions not listed.

Source: The Conference Board - C-Suite Challenge 2019

3 [The Cost of Malicious Cyber Activity to the US Economy](#), The Council of Economic Advisors, Executive Office of the President of the United States, February 2018.

**Climate worries in Japan** CEOs in Japan are more concerned about the impact of climate change than other CEOs globally by an almost 3:1 margin. It is fifth on their list of external hot-button issues, likely due to a series of recent disasters that may be climate related. Globally, just 25 percent of companies publicly disclose having a climate change strategy; in Japan, 81 percent of companies do so.<sup>4</sup>

**Industry concerns differ** CEOs in the manufacturing sector are most concerned about threats to global trade, recession, and political instability, while those in the financial sector single out cybersecurity as their top issue. Recession is of greatest concern for CEOs within the nonfinancial services sector.

While C-suite executives share top concerns with CEOs about recession and global trade threats, they express more concern about operational issues such as cybersecurity, energy volatility, and climate change.

## Internal Hot-Button Issues: Talent, Leaders, and Business Models for the Future

CEOs globally agree on two critical internal stress points: talent and strategy. Regarding talent, the challenge is not simply the organization's collective ability to deliver results but also the ability of its workers to be agile, innovative, and responsive to disruption.

Scant availability of workers is concerning: growth of the global labor supply in the world's most important economies will vanish at the beginning of the next decade.<sup>5</sup> In 2019, labor market tightness could reach levels not seen for decades. Equally concerning is the inadequate availability of skilled workers who are also agile learners and who can be continually upskilled.

As difficult as it is to find skilled workers, it is still more so to attract and retain **top** talent, those scarce top performers who have the skills and abilities to make a critical difference. Developing the right kind of leaders who will inherit a world where leading through complexity, ambiguity, and disruption will be table stakes is critical; these leaders must also have the foundational leadership ability to inspire, engage, and develop exceptionally efficient teams who can execute the strategy.

In terms of strategy, CEOs are focused on "creating new business models because of disruptive technologies," which will require an agile workforce that can understand the need for change, embrace the new path forward, and adapt virtually everything they know and every skill they have mastered to succeed in the new model. The workforce must have faith that their leaders can steer them safely through the shoals to the distant shore.

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4 Thomas Singer, Anuj Saush, and Anke Schrader, *Sustainability Practices: 2018 Edition*, The Conference Board, December 2018.

5 Van Ark, *StraightTalk® Global Economic Outlook 2019*.

Cost control reemerges as a critical issue, in line with the growing concern over recession risk. The impact of digital technologies is also clearly being felt—innovating go-to-market strategies is a common problem faced by most firms across the globe.

Table 2 **Internal stress points are very global: it's all about talent and competition from disruptive technology**

What are the top 3 issues that will require your greatest attention in 2019 in relation to the your organization?

INTERNAL HOT-BUTTON ISSUES	CEOs Overall	US	Europe	Japan	China	Latin America	Other C-Suite
Attraction and retention of top talent	1	1	1	1	1	1	1
Creating new business models because of disruptive technologies	2	2	2	3	3	2	2
Developing Next Gen leaders	3	3	3	2	5	4	3
Better alignment of compensation and incentives with business performance	4	6	6	9	2	6	6
Reduction of baseline costs	5	4	5	5	7	3	4
Volatility in cash flow	6	7	10	11	4	7	9
A more an effective performance measurement system for employees	7	9	7	6	6	5	7
Managing mergers & acquisitions	8	5	4	7	8	13	5
Workforce diversity	9	10	9	4	11	11	8
Compliance with data privacy regulations	10	12	8	13	13	8	10
Wage increases	11	11	11	8	10	9	12
Labor relations	12	14	12	10	9	10	11
Providing healthcare benefits for employees	13	7	14	12	12	12	13
Abusive behavior in the workplace	14	13	13	14	14	14	14
	N = 795	N = 132	N = 318	N = 79	N = 118	N = 31	N = 588

Note: The total N for the five regions listed is 677; the overall N of 795 includes respondents from regions not listed.

Source: The Conference Board - C-Suite Challenge 2019

# The Future-Ready Organization

## The Shape of Things to Come

When CEOs paint the picture of what the organization of the future looks like, what emerges from the responses to this year's survey is an archetype of a company that puts the customer at the center, reshapes the way we work, and achieves the elusive balance between short-term goals and long-term vision. Reaching this ideal requires a comprehensive, holistic approach.

The digital revolution is underway, and the future playing field is being determined today by technology, evolving consumer and workplace preferences, demographic shifts, and policy responses. Business assumptions about products, pricing, and scalability no longer hold true. The shape and makeup of global organizations are changing, driven by the new opportunities and risks that these factors create. For firms of all sizes, the boundaries that once delineated and sometimes protected a company from its external environment, restricting the flow of resources and information and limiting innovation and productivity, are blurring. Going forward, the distinction between what's internal or external to the organization will be of little consequence.

Gaining future advantage requires a big-picture view that stretches across the value chain and extends outside the corporate walls. Basic assumptions must be questioned: Who are our customers and our competitors? What are our organizational boundaries? Who are our partners? What skills do we need? How should we be structured?

According to our CEO and C-suite respondents, the changes now underway accelerate the urgency of transformation. Customer-centricity driven by agile methodologies and design thinking along with new go-to-market strategies that emphasize customer experience over product will be fundamental to success. How work gets done is redefined as boundaries and hierarchies give way to flexible internal and external networks and fluid cross-functional teams. Decisions are made faster and with insights from better data, often derived from artificial intelligence.

Perhaps most importantly, the successful organization and CEO will have achieved balance between implementing their long-term vision and strategy and short-term performance, the most critical hallmark of operational efficiency for future success.

**The impact of being short-sighted** The danger in a slowing economy is succumbing to the temptation to skimp on both time and resource investment in the digital future to boost short-term results, which jeopardizes future competitiveness. If an organization pulls back, it will be behind the curve when the downturn ends. Innovation and digital transformation are disruptive, constantly challenging established beliefs, products, services, and business models. Those who handle day-to-day operations and free-wheeling innovators each have vastly different risk tolerance levels and success metrics. CEOs and senior executives must ensure that all internal and external stakeholders believe that however disruptive or destructive transformation and innovation appear now, they will benefit the entire company in the long run.

Chart 2

**Balancing short-term agility with long-term vision is compelling for success**

Looking out to 2025, what do you see as the top 3 hallmarks of operational efficiency for successful organizations of the future?



Source: The Conference Board - C-Suite Challenge 2019

## How Work Will Get Redefined

Our responding CEOs foresee agile, fluid project teams and the less formal and more flexible networks that support them as essential elements of work redefined. Among the trends our research points to as contributing to the new way work needs to get done:<sup>a</sup>

**Work decoupled from location** Talent can work anytime and anywhere, and physical space is no longer a constraint.

**Work increasingly organized around projects** In what is often referred to as the “Hollywood Effect,” once a specific project, product, or assignment is identified, a team of different people from different professions with distinct but complementary skills comes together and collaborates to accomplish the task. Once the project is completed, the team disassembles and reconfigures with other members on another project. As a result, organizations are likely to have an ever-smaller cohort of full-time workers, supported by contingent or flexible workers on project teams.

**Integrating humans with technology** Technology reduces or speeds up tasks, reducing and redefining human roles and jobs, and is likely to increase demand for workers with advanced technical, cognitive, and emotional skills.

**Work unbundled from jobs** Defined roles and job descriptions are no longer the organizing unit for work. Instead, tasks are distributed between humans and machines, depending on who is best suited to do the job.

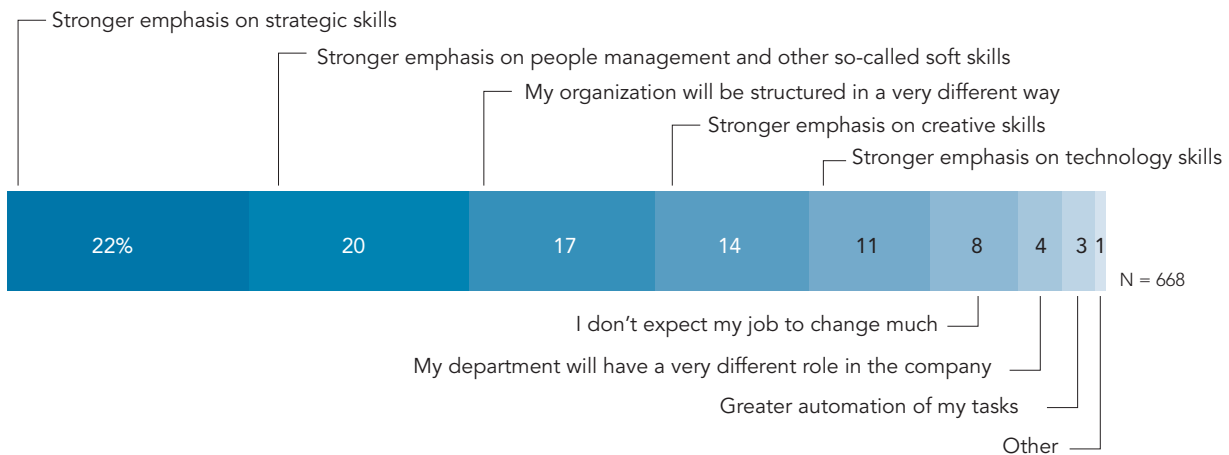
**Future skilling is critical** The challenge is to educate people for jobs that may not yet exist. In a tightening labor market, firms cannot hire their way out of a digital talent shortage. The evolution of the company’s existing talent base becomes essential.

<sup>a</sup> Charles Mitchell, *Beyond Technology: Building a New Organizational Culture to Succeed in an Era of Digital Transformation*, The Conference Board, January 2017.

Chart 3

### CEOs’ job will change, enriched by new skills and driven by new organizational models

My job in 2025 will have changed primarily as a result of:



Source: The Conference Board - C-Suite Challenge 2019



## Are CEOs as Ready for 2025 as They Think They Are?

Even with the complexity of the talent, operational, and economic challenges ahead, globally CEOs have relatively high confidence that their existing organizational cultures are durable enough for success in the digital future. Considering the high failure rates for digital transformation (70 percent of all change initiatives fail<sup>6</sup>; 84 percent of companies are failing at digital transformation<sup>7</sup>), this confidence may be misplaced.

**CEOs may be confusing digitization—adding digital elements to existing processes and strategies on an ad hoc basis—with true digital transformation.** Digital transformation is an enterprise strategy that leverages digital technologies and the data they produce to connect organizations, people, physical assets, and processes with a concurrent disruption in culture, structure, leadership styles, and business models.

Many organizations struggle on their journeys toward achieving digital transformation—with organizational culture being a critical obstacle. While complacency is not atypical at this phase of the business cycle, the confidence CEOs express in this arena should raise questions and prompt self-examination about organizational understanding of the heavy lift and myriad changes true transformation requires.

CEOs say they have relatively less confidence in having the right go-to-market strategy in place—an issue reflected in their deep concern about the need to develop new business models.

Table 3 **CEOs have higher overall confidence levels than CFOs and human capital executives**

On a scale from 1 (low) to 10 (high), how confident are you that your organization currently has the right characteristics in place to succeed in 2025?

CONFIDENCE IN ...	CEO	CFO	Human capital execs	\$100 million to under \$5 billion and above		
				Less than \$100 million	\$100 million to under \$5 billion	\$5 billion and above
The right leaders	7.2	6.9	6.8	7.1	6.9	6.9
The right talent	6.8	6.4	6.7	6.8	6.5	6.7
The right culture	7.3	6.8	7.1	7.2	7.0	7.2
The right organizational structure	6.8	6.3	6.5	6.7	6.6	6.5
The right go-to-market model	6.7	6.3	6.5	6.7	6.5	6.7
The right technology	6.6	6.0	6.2	6.7	6.5	6.3
	N = 799	N = 89	N = 137	N = 525	N = 371	N = 265

Source: The Conference Board - C-Suite Challenge 2019

6 Boris Ewenstein, Wesley Smith, and Ashvin Sologar, "Changing Change Management," McKinsey, July 2015.

7 Bruce Rogers, "Why 84% of Companies Fail at Digital Transformation," *Forbes*, January 7, 2016.

Table 4 **Regionally, confidence is, on average, highest among CEOs in China and Latin America; it is lowest in Japan**

On a scale from 1 (low) to 10 (high), how confident are you that your organization currently has the right characteristics in place to succeed in 2025?

CONFIDENCE IN ...	CEOs Overall	US	Europe	Japan	China	Latin America
The right leaders	7.2	7.5	7.1	5.9	7.7	7.3
The right talent	6.8	6.9	6.8	5.8	7.3	7.3
The right culture	7.3	8.1	7.3	6.1	7.0	7.3
The right organizational structure	6.8	7.2	6.7	5.8	7.1	7.1
The right go-to-market model	6.7	6.7	6.9	5.5	7.2	6.9
The right technology	6.6	6.5	6.6	6.1	7.1	7.5
	N = 799	N = 131	N = 322	N = 80	N = 119	N = 32

Note: The total N for the five regions listed is 684; the overall N of 799 includes respondents from regions not listed.

Source: The Conference Board - C-Suite Challenge 2019

## New Technologies Mean Better Customer Experiences

CEOs see the technology of 2025 primarily as a tool that will drive revenue by enhancing the customer experience. Developing “smart” products and services that connect customers digitally and increase their commitment to the brand is one way CEOs intend to improve the overall experience. Also not lost on CEOs is the role that having a reputation as a tech-savvy, digitally driven company can have on talent recruitment and retention for the future workforce.

### In a slowing global economy, ROI from digital transformation is a burning platform

With global long-term growth projected at a pedestrian 2.9 percent in the next decade, organizations need a disruptive mindset and a relevant business model to remain competitive. At the firm level, there is increased urgency to accelerate digital transformation: to move from the installation phase, where old paradigms do battle with new realities, to the deployment phase, where creative destruction results in the rapid adoption of new products and services that translate into bottom-line results.<sup>8</sup>

CEOs respondents also expect their returns on technology investments to increase productivity and help them make better decisions faster. Research by the Organisation for Economic Co-operation and Development (OECD) found that digital technologies can have considerable impacts on productivity growth—but the gain is far from widespread. During the 2000s, productivity growth was strong only among a small share of firms globally, typically ones that are larger, more profitable, younger, and more likely to patent and be part of a multinational group than other firms.<sup>9</sup>

8 Bart van Ark, Abdul Erumban, Carol Corrado, and Gad Levanon, *Navigating the New Digital Economy: Driving Digital Growth and Productivity from Installation to Deployment*, The Conference Board, May 2016.

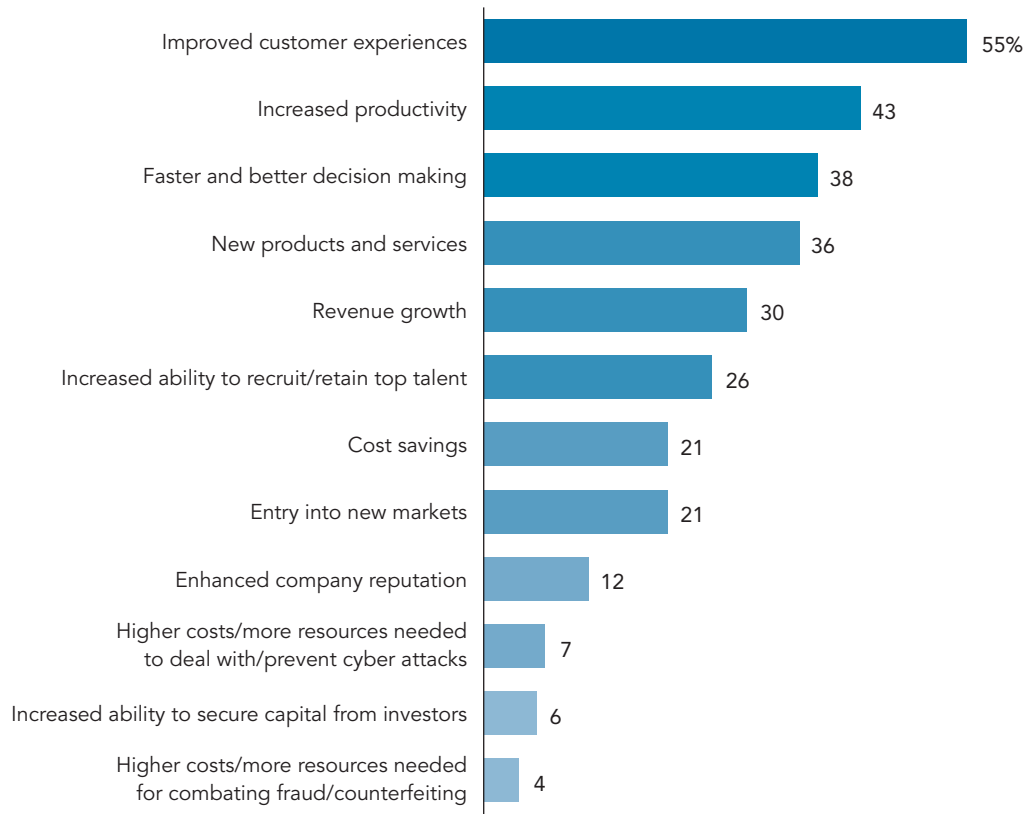
9 Dan Andrews, Chiara Criscuolo, and Peter Gal, *Frontier Firms, Technology Diffusion and Public Policy: Micro Evidence from OECD Countries*, OECD, 2015.

For robust, widespread productivity gains, firms need to focus more broadly on creating knowledge-based assets and a strong supporting culture. Economies and businesses are only at the beginning of exploiting the Internet of Things as a value driver: about 85 percent of the devices deployed today, some 15 billion with Bluetooth capability, are not yet IoT connected. There is enormous potential in making today's "dumb" products "smart." One disruptive question to ask: Can digital technologies act as a bridge from our tried-and-tested approach to a new model that emphasizes providing services that supplement traditional product offerings?

Chart 4

**Improving customer experience is the top objective of deploying new tech**

What will be the 3 most important business outcomes of employing new technologies by 2025?



N = 777

Source: The Conference Board - C-Suite Challenge 2019

## Winning over the Value-Conscious Consumer of 2025

Unlimited information access in the New Digital Economy means power is shifting from companies to knowledgeable consumers. Our CEO respondents believe quality still counts and that success in dealing with customers in 2025 means infusing their organizations with a customer-centric culture and a disruptive mindset that includes the adoption of design thinking and agile methodologies in a continuous “test and learn” environment of co-creation for product and service development.

**Imagining the customer of the future—the experience is the product** CEOs have clear consensus that customer attitudes and preferences will be different in the future than they are today. Customers will increasingly place a higher value on the experience of using a product than on the product itself, so enhancing “the experience” is critical to future success.

But first, CEOs believe their organizations need to get the fundamentals right. Globally, CEOs see the elementary steps of trust building—enhancing the quality of products and services, building a customer-centric culture—as hallmarks of future success in dealing with what they see as a more value-conscious consumer. They also see strong data ethics and data protection processes as a future competitive advantage. In their view, meeting future customer needs revolves around essential elements of digital transformation: using agile methodologies and design thinking to develop new products and services to creating new go-to-market strategies. They expect to shift from a product orientation to a servitization model that emphasizes providing services and solutions that supplement traditional product offerings. This approach turns “customers” involved in one-time transactions into “users” who seeks continuous interaction with the firms they deal with. The move away from product-centricity can require significant changes in culture, business models, leadership approaches, and employee skills.

One critical challenge: when trying to enhance the customer experience digitally, companies are essentially competing with the best experience a consumer has had with any company, regardless of product or service. It is an extremely high bar to meet, and it widens the field of competitors in unexpected ways.

Highlights from CEOs’ responses to questions about future customers:

**Changing customer preferences** More than two-thirds of respondents think they will find that customers are more value-conscious, and 46 percent that they will find customers are willing to pay a premium for sustainably produced products.

**Multichannel approaches** More than 60 percent of respondents believe their organizations will need to deploy multiple selling approaches as customers change at different speeds and express differing preferences.

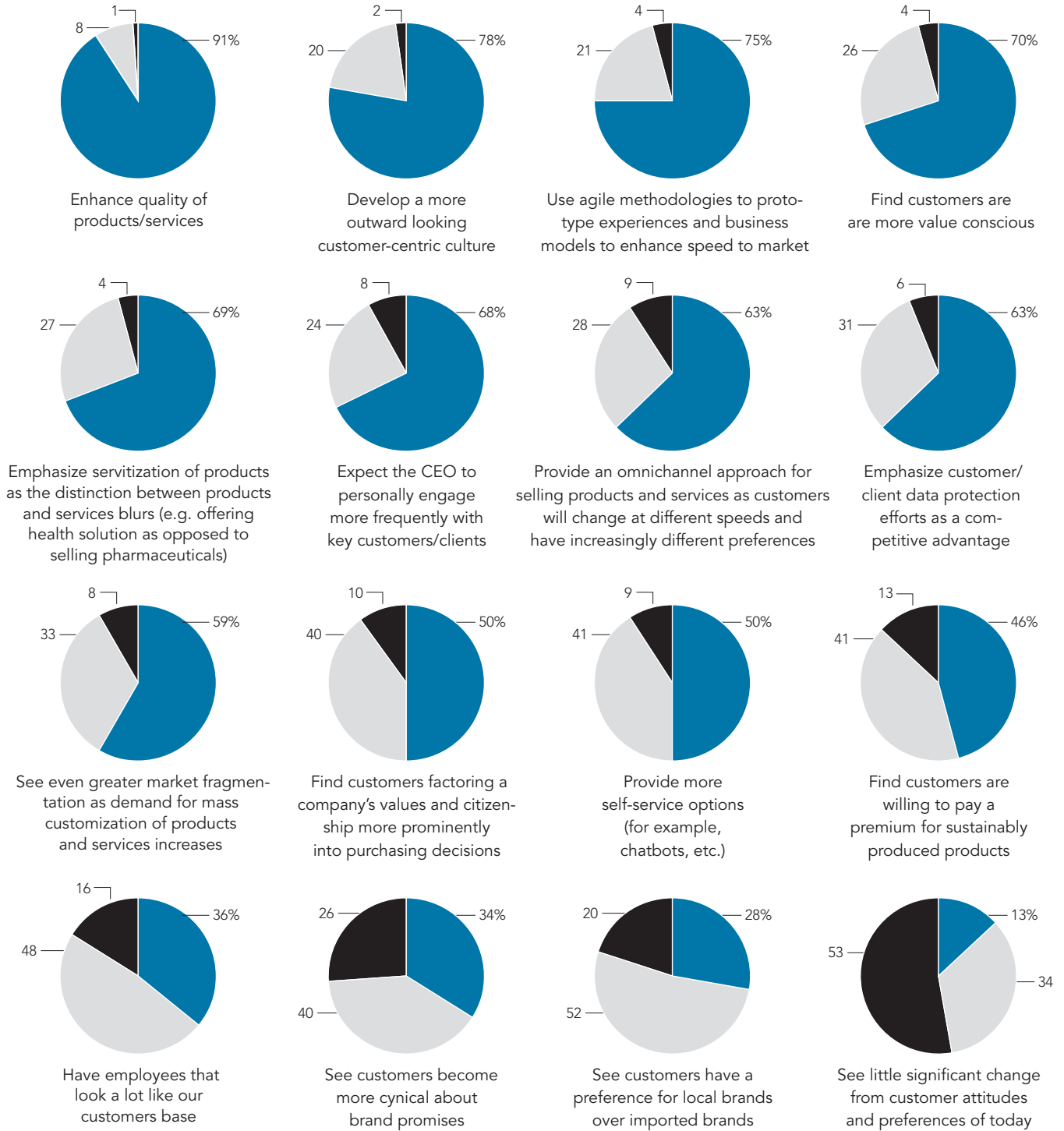
**Tech and touch** More than half of respondents believe mass customization will help deal with increasing market segmentation. But there is awareness of balancing “high tech with high touch.” CEOs see themselves as having more frequent and personal interaction with their key customers and clients.

Chart 5

## The organization of the future is fully customer-centric, bets on experiences, and is more agile

When it comes to dealing with future customers in 2025 my organization will:

■ Agree    ■ Neutral    ■ Disagree



N = 674

Source: The Conference Board - C-Suite Challenge 2019

**Diversity undervalued?** Only about one-third of CEOs globally believe future success with customers hinges on having employees that reflect the diversity of their customer base. US CEOs are more committed than their global counterparts, however: 44.7 percent of them cite diversity as a foundation of future success, compared with 8.6 percent in Japan. It is important to note that what constitutes diversity in the workforce varies by country and culture.

## Ongoing Innovation Challenges: Skilled Talent and Performance Pressure

Globally, CEOs see the top barrier to innovation today as day-to-day performance pressure, followed by a lack of talent and innovation skills and a shortage of resources to make innovation happen. But looking out to 2025, concerns shift. Talent becomes the number one obstacle to innovation even as day-to-day performance pressure continues to warrant attention. Regulation, seen as a bottom-tier problem today, becomes the third biggest obstacle in 2025. Obstacles that will become more intense include handling legacy technology and determining how to measure innovation.

**There are blind spots in CEOs' view of today's and tomorrow's innovation obstacles** CEOs do not see *having an insular culture/unwillingness to partner outside the organization* or *lack of diversity and inclusion in teams* as big obstacles, either today or tomorrow. That is OK if CEOs are truly convinced they are already practicing a more open co-creation style of innovation and that diverse and inclusive innovation teams are the norm within their organizations. However, our research as well as conversations with The Conference Board members has identified insular cultures and lack of inclusion as among the biggest current barriers to innovation and digital transformation.<sup>10</sup>

**Different regions see different innovation obstacles** CEOs in Latin America today view their own internal bureaucracies as a bigger obstacle to innovation than a lack of talent, while CEOs in the US see legacy technologies trumping talent shortages as a concern. CEOs in Japan and China admit to having a lack of vision about innovation: it is their second most-cited obstacle for 2025. It is ninth on the list of global CEOs for the present and eighth for the future.

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<sup>10</sup> For an in-depth look at cultural barriers to digital transformation and the impact of inclusion on innovation, see: Mary Young and Sherlin Nair, *Driving Digital Transformation: Why Culture and Structure Matter*, The Conference Board, June 2017; and Mary Young, Charles Mitchell, and Michelle Kan, *Inclusion + Innovation: Leveraging Diversity of Thought to Generate Business Growth*, The Conference Board, January 2016.



Table 5 **Lack of talent and daily pressure are barriers to innovation today and in the future**

What are and will be the top 3 barriers or challenges to innovation within your organization—today and in the future?

INNOVATION BARRIERS	Today		2025	
Day-to-day performance pressure limits our ability to innovate	1		1	Lack of talent/skills
Lack of talent/skills	2		2	Day-to-day performance pressure limits our ability to innovate
Resources/cash on hand, etc.	3		3	Resources/cash on hand, etc.
Lack of clear innovation goals	4		4	Regulation
Legacy technology	5		5	Legacy technology
Internal bureaucracy (employee policies, procedures, handbooks developed by HR and legal teams)	6		6	Inability to measure innovation
Managers and leaders who do not promote idea sharing in teams	7		7	Lack of clear innovation goals
Leaders not accountable for behaviors that foster a culture of innovation	8		8	Lack of strategic vision
Lack of strategic vision	9		9	Leaders not accountable for behaviors that foster a culture of innovation
Inability to measure innovation	10		10	Lack of inclusive innovation culture
Lack of inclusive innovation culture	11		11	Managers and leaders who do not promote idea sharing in teams
Regulation	12		12	Lack of diversity and inclusion in teams
Lack of diversity and inclusion in teams	13		13	Internal bureaucracy (employee policies, procedures, handbooks developed by HR and legal teams)
Insular culture, unwillingness to partner outside the organization	14		14	Insular culture, unwillingness to partner outside the organization

N = 761

Source: The Conference Board - C-Suite Challenge 2019

Table 6 **Lack of strategic vision is a red flag in Japan and China; regulation is one in Europe**

What will be the top 3 barriers or challenges to innovation within your organization in the future?

BARRIERS BY REGION	CEOs Overall	US	Europe	Japan	China	Latin America
Lack of talent/skills	1	1	1	1	1	1
Day-to-day performance pressure limits our ability to innovate	2	2	2	7	6	13
Resources/cash on hand, etc.	3	5	4	10	4	8
Regulation	4	4	3	8	7	12
Legacy technology	5	3	7	3	8	6
Inability to measure innovation	6	6	9	6	5	3
Lack of clear innovation goals	7	8	5	4	3	4
Lack of strategic vision	8	11	10	2	2	5
Leaders not accountable for behaviors that foster a culture of innovation	9	7	13	13	10	9
Lack of inclusive innovation culture	10	10	6	5	11	2
Managers and leaders who do not promote idea sharing in teams	11	9	12	12	12	11
Lack of diversity and inclusion in teams	12	14	11	8	9	14
Internal bureaucracy (employee policies, procedures, handbooks developed by HR and legal teams)	13	12	8	14	12	7
Insular culture, unwillingness to partner outside the organization	14	13	14	11	14	10

N = 761    N = 128    N = 306    N = 77    N = 108    N = 29

Note: The total N for the five regions listed is 648; the overall N of 761 includes respondents from regions not listed.

Source: The Conference Board - C-Suite Challenge 2019

## Signposts of Innovation: Toward Better Innovation Metrics for Business

The Conference Board has produced a series of reports providing an overview of approaches to innovation measurement that dives deeply into the metrics that can help businesses track, monitor, and assess innovation performance. The Signposts of Innovation framework identifies six key areas (technology, digitization, customer experience and branding, environmental and social sustainability, internal innovation network, and external innovation ecosystem) and provides guidance on the kind of innovation metrics to populate each of those signposts. For more information, go to [www.conference-board.org/future-of-innovation](http://www.conference-board.org/future-of-innovation)

## Building and Managing the Future Workforce

Many of the strategies and investments CEOs see as being essential for successful human capital management in 2025 (building engaging cultures; expanding coaching and mentoring programs; re-skilling; more flexible internal structures and networks to support agile fluid teams; supporting personal resiliency; and technology-enabled collaboration platforms) not only appeal to new generations of workers but are also essential elements of a digitally transformed organization.

While there is global convergence on the importance of holding leaders accountable for engaging cultures to both drive business results and retain talent, there is still much work to be done to make this a meaningful reality. CEOs need to actually hold leaders accountable for people metrics such as attrition, engagement scores, and development of teams and leaders in their performance reviews and compensate them based on this. Collectively, we still “drive for results,” despite decades of lip service to the contrary. So while CEOs believe it is important to hold leaders accountable, for a variety of reasons (fear of driving out strong performers, lack of managerial courage to confront leaders, etc.), they currently fail to actually do so.<sup>11</sup>

**Think talent is in short supply now? CEOs believe it’s going to get worse** Attracting and retaining talent is the number one internal hot-button issue for CEOs across the globe, and CEOs see a lack of talent as one of the few obstacles to innovation that will get worse, not better, by 2025. Future talent issues will be further complicated as work is redefined, which means acquiring or developing workforce skills that may not currently be core to present operations. Further, in the US the threat of labor shortages is more acute in blue-collar and low-pay services occupations than in more highly skilled white-collar ones, the exact opposite of the prevailing trends in recent decades.

CEOs of the largest companies in our sample (revenue of \$5 billion and above) are looking to develop agile and fluid teams as the nexus of future work and support these teams with more flexible structures and networks, both of which are likely to require significant cultural change. Smaller firms, which tend to already be more agile and may already have adopted a team structure and flexible networks, are focused on leadership accountability and better information sharing as top priorities.

But the failure of both HR executives and CEOs at all sizes of companies to prioritize a companion strategy to developing agile teams, *effectively evaluating and rewarding work done in teams*, is a red flag. Traditionally, organizations differentiate rewards based on individual performance. But pitting employees in head-to-head competition also drives out collaboration. As teams become a centerpiece of human capital strategy, companies need to emphasize the collaborative aspect of culture, or they risk developing agile but poorly performing and unmotivated teams.

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11 For a more in-depth look at how organizations can build engaging cultures, see: [DNA of Engagement 2018: Moments That Matter throughout the Employee Life Cycle](#); [DNA of Engagement: How Organizations Build and Sustain Highly Engaging Leaders](#)

Table 7 **CEOs across the world think leaders' feet should be put to the fire when it comes to achieving the results that come from an engaging workplace**

Looking out to 2025, which of the following will be hallmarks of a successful company's approach to managing human capital?

SUCCESS FACTORS	CEOs Overall	US	Europe	Japan	China	Latin America
Holding leaders accountable for building/maintaining engaging cultures to attract and retain talent	1	2	1	1	1	2
Holding leaders accountable for building/maintaining engaging cultures to drive business impact	2	1	6	6	4	5
Greater transparency and information sharing at all organizational levels	3	5	3	2	5	6
Agile, fluid project teams that add or shed members as their capabilities are needed	4	6	2	5	3	4
More flexible structures and networks	5	4	4	4	7	1
Ability to effectively evaluate and reward work done in teams	6	8	5	7	2	7
Greater emphasis on insuring a positive employee experience over the entire employment lifecycle	7	3	7	10	9	3
Recruiting for the right attitude: in a world where digital skills are often quickly outdated, paying a premium for specific technology skills may no longer make sense	8	10	8	11	6	9
Greater reliance on coaching rather than formal employee performance reviews	9	7	9	8	10	10
Emphasis on inclusion and rewards for inclusive behavior at all levels	10	11	12	3	8	11
Greater use of flexible, contingent, or temporary labor forces to fill skill gaps	11	8	10	9	12	8
Shorter work week with fewer hours required on the job	12	13	11	13	11	13
Removal of bias from data and algorithms that perpetuate historical patterns of discrimination	13	12	13	12	13	12

N = 729    N = 124    N = 294    N = 73    N = 106    N = 29

Note: The total N for the five regions listed is 626; the overall N of 729 includes respondents from regions not listed.

Source: The Conference Board - C-Suite Challenge 2019

Table 8 **Company size matters when it comes to prioritizing human capital approaches**

Looking out to 2025, which of the following will be hallmarks of a successful company’s approach to managing human capital?

SUCCESS FACTORS	CEOs Overall	Manufacturing	Finance	Service	Less than \$100 million	\$100 million to under \$5 billion	\$5 billion and above
Holding leaders accountable for building/maintaining engaging cultures to attract and retain talent	1	1	2	1	1	1	1
Holding leaders accountable for building/maintaining engaging cultures to drive business impact	2	4	6	2	2	5	4
Greater transparency and information sharing at all organizational levels	3	2	3	4	3	2	5
Agile, fluid project teams that add or shed members as their capabilities are needed	4	3	4	3	5	3	3
More flexible structures and networks	5	7	1	5	7	4	2
Ability to effectively evaluate and reward work done in teams	6	5	5	6	4	7	7
Greater emphasis on insuring a positive employee experience over the entire employment lifecycle	7	6	9	7	6	8	6
Recruiting for the right attitude: in a world where digital skills are often quickly outdated, paying a premium for specific technology skills may no longer make sense	8	9	7	8	8	6	10
Greater reliance on coaching rather than formal employee performance reviews	9	8	10	9	9	9	10
Emphasis on inclusion and rewards for inclusive behavior at all levels	10	10	8	11	10	10	8
Greater use of flexible, contingent, or temporary labor forces to fill skill gaps	11	11	11	10	11	11	8
Shorter work week with fewer hours required on the job	12	12	12	12	12	12	13
Removal of bias from data and algorithms that perpetuate historical patterns of discrimination	13	13	13	13	13	13	12
	N = 729	N = 216	N = 64	N = 344	N = 395	N = 185	N = 90

Note: The overall N includes respondents that did not declare their company size or sector.

Source: The Conference Board - C-Suite Challenge 2019

## Investing in leaders

Along with improving formal leadership development programs, CEOs say they plan to invest in cross-functional rotational opportunities, a development tool seen as effective for high-potential millennials.<sup>12</sup>

**Developing the next generation of leaders is critical to future success. But is there enough emphasis on developing digital skills?** Despite the relatively high (perhaps misplaced) confidence levels of CEOs in our survey about their leadership teams' readiness to lead in 2025, research points to a global leadership development crisis within most organizations. In the 2018 Global Leadership Forecast (a research stream that began in 1999), only 41 percent of respondents believe their organization's leadership development program to be of high or very high quality, and the needle has hardly moved since the question was first asked in 2011. Less than 20 percent believe they have a strong future bench.<sup>13</sup>

A clear focus of CEOs in our survey is the development of next-generation leaders. The investments they will be making in that development, better formal training and more cross-functional rotational opportunities, hit a sweet spot for millennials. However, CEOs and other C-suite executives may be missing a critical piece of the developmental puzzle—exposing leaders to digital experiences. Less than one-third of CEOs in our survey list this as a top three priority. The stakes are high: organizations with the strongest digital leadership capabilities outperform those with the weakest capabilities by 50 percent. Compared to digital laggards, highly capable digital-ready leaders are more likely (89 percent versus 58 percent) to take on stretch assignments to build new skills and are more likely to provide input to grow the business (67 percent versus 34 percent), according to the Global Leadership Forecast report.<sup>14</sup>

The succession planning process is another area where CEOs are seeking to invest for future success, though this becomes more complex in the digital era since many roles that exist today will not exist in the future, and new roles, many of which cannot yet be forecasted, will emerge.

Having a more diverse leadership bench within their organization is the key investment priority for CEOs in both Europe and Japan. Human capital executives are more focused on leadership diversity than are others in the C-suite, ranking it second to CEOs' fourth and CFOs' sixth. Our research indicates that to achieve greater gender diversity in leadership ranks, firms need to: take a new approach to diversity and inclusion; hold leaders accountable for achieving diversity; change the overall corporate mindset about gender stereotypes through training, conversations, storytelling, and adopting

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12 *Divergent Views/Common Ground: The Leadership Perspectives of C-Suite Executives and Millennial Leaders*, The Conference Board, Development Dimensions International, and RW2 Enterprises, January 2017.

13 *Global Leadership Forecast 2018: 25 Research Insights to Fuel Your People Strategy*, Development Dimensions International, The Conference Board, and EY, January 2018.

14 *Global Leadership Forecast 2018*.



a no-tolerance policy for sexist comments and behaviors; include men in women’s advancement and broader D&I programs; and create more inclusive mentorship and sponsorship programs to help women expand their networks.<sup>15</sup>

A missed opportunity for investing in leaders is not addressing *improve work-life balance of managers*; only about one-quarter of CEOs list this among their top three priorities. Difficulty striking this balance is a critical reason women opt out of management, so averting the issue affects not only diversity within an organization but succession planning as well.<sup>16</sup>

Table 9 **Improving work-life balance of managers should be a no-brainer, but many CEOs see it differently**

What top 3 investments are you likely to make to develop your leaders of the future?:

INVESTMENT	CEOs Overall	US	Europe	Japan	China	Latin America
Invest in formal leadership development training	1	1	2	3	4	2
Promote cross-functional rotation experiences	2	3	5	2	1	9
Have more diverse leadership (gender, age, ethnicity)	3	5	1	1	2	5
Enhance executive coaching initiatives	4	4	7	4	3	4
Focus on succession management processes	5	2	4	5	6	7
Provide more exposure to digital experiences	6	7	3	8	5	3
Enhance mentorship programs	7	6	6	6	8	1
Improve work-life balance of managers	8	8	8	7	7	6
Invest in social responsibility policies and initiatives	9	9	9	9	9	8

N = 719    N = 123    N = 290    N = 73    N = 103    N = 29

Note: The total N for the five regions listed is 618; the overall N of 719 includes respondents from regions not listed.

Source: The Conference Board - C-Suite Challenge 2019

15 *Filling the Pipeline: What Companies Can Do to Get More Women into the C-suite and on Corporate Boards*, Committee for Economic Development of The Conference Board, 2019 (forthcoming).

16 *Effective Leadership Development Strategies for Women Leaders at Pivotal Points*, Korn Ferry and The Conference Board, 2019 (forthcoming).

## Becoming more inclusive

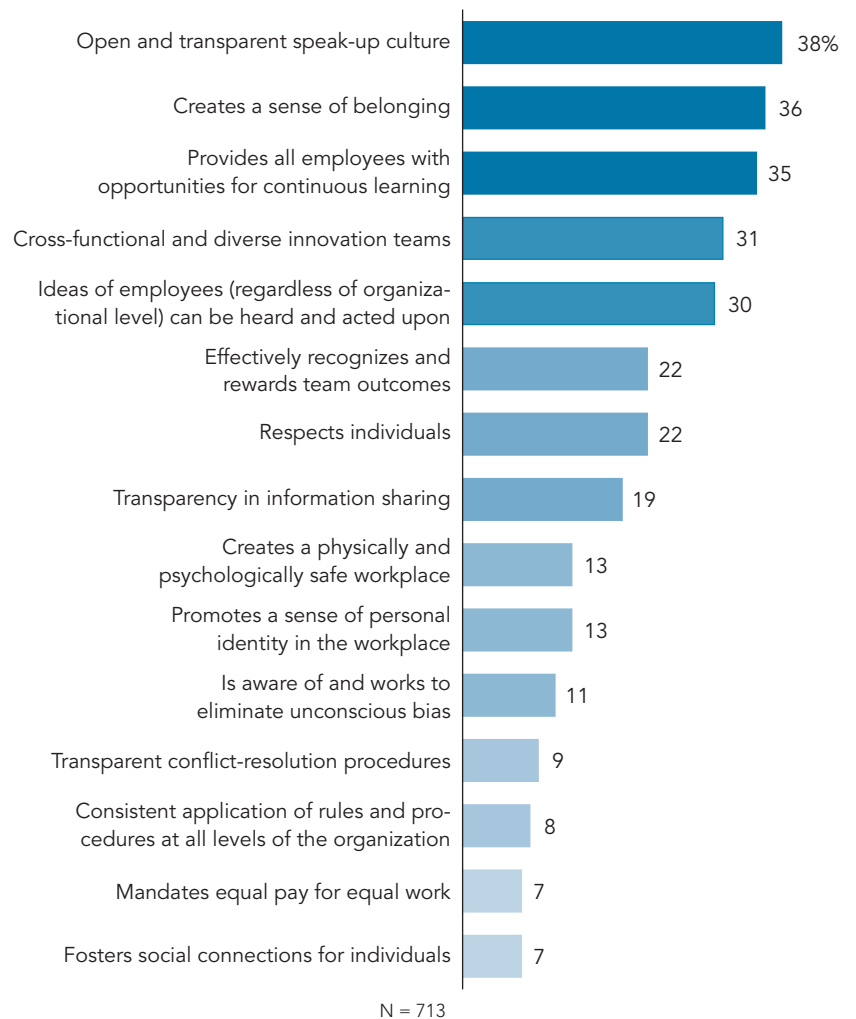
Having a diverse workforce is one thing; having an inclusive culture that actively encourages people to express their unique perspectives—that is, an organization where “diversity of thought” consistently sparks innovation—is far more challenging. The Conference Board defines an inclusive workplace as one where everyone feels respected and valued for being who they are; people trust that they can speak up and be fairly treated; and they share a sense of belonging. Inclusion is not a steady state. It is continuously created through people and the ways the organization operates. In an inclusive workplace, people can do their best work, and organizations can gain the full benefit of a diverse workforce.<sup>17</sup>

For our CEOs respondents, an inclusive organization begins with having an open and transparent speak-up culture that gives individuals a sense of belonging. They see inclusive organizations providing continuous learning opportunities for employees and comprised of diverse innovation teams where the ideas of employees are heard and acted upon. As the innovation cycle speeds up and companies race to become more agile, they will need to encourage diversity of thought. Inclusion is a prerequisite for that—and it pays dividends. Our research has found that the most innovative companies were four times more likely to be highly inclusive than those with sporadic innovation.<sup>18</sup>

Chart 6

### CEOs believe an inclusive organization begins with an open and transparent speak-up culture that gives individuals a sense of belonging and encourages them to keep learning

What are the top 3 traits/competencies/characteristics you think will define a truly inclusive organization in 2025?



Source: The Conference Board - C-Suite Challenge 2019

17 Mary Young and Marion Devine, *Defining and Measuring Inclusion: Using Metrics to Drive Progress*, The Conference Board, December 2018.

18 Young et al., *Inclusion + Innovation*.

Table 10 **Inclusiveness means transparency in Japan and creating a sense of belonging in China, Latin America, and Europe**

What are the top 3 traits/competencies/characteristics you think will define a truly inclusive organization in 2025?

INCLUSION BY REGION	CEOs Overall	US	Europe	Japan	China	Latin America
Open and transparent speak-up culture	1	2	2	1	4	3
Creates a sense of belonging	2	3	1	10	1	1
Provides all employees with opportunities for continuous learning	3	1	3	3	3	4
Cross-functional and diverse innovation teams	4	5	6	4	2	2
Ideas of employees (regardless of organizational level) can be heard and acted upon	5	4	4	8	6	6
Effectively recognizes and rewards team outcomes	6	10	5	11	5	7
Respects individuals	7	6	7	6	7	5
Transparency in information sharing	8	7	8	2	9	9
Creates a physically and psychologically safe workplace	9	9	12	5	8	13
Promotes a sense of personal identity in the workplace	10	12	9	7	15	10
Is aware of and works to eliminate unconscious bias	11	8	10	12	14	15
Transparent conflict-resolution procedures	12	11	11	15	10	8
Consistent application of rules and procedures at all levels of the organization	13	14	13	13	11	11
Mandates equal pay for equal work	14	13	15	14	12	12
Fosters social connections for individuals	15	15	14	9	13	14
	N = 713	N = 118	N = 289	N = 73	N = 103	N = 29

Note: The total N for the five regions listed is 612; the overall N of 713 includes respondents from regions not listed.

Source: The Conference Board - C-Suite Challenge 2019

**Missed opportunities for inclusion** Overcoming resistance to change is never easy. We know that greater transparency and an inclusive culture will be foundations of future success, yet CEOs in our survey appear to underemphasize a few key elements that will build an open, inclusive, and engaging culture.

The relatively lower rankings of awareness of unconscious bias, transparent conflict resolution procedures, and consistent applications of rules at all levels raise a red flag. These all speak to issues of fairness and transparency, which is the cornerstone

of an inclusive, engaging culture. Nothing kills engagement or inclusion faster than a disconnect between what is said and what is done or inherent, systemic unfairness. Other key blind spots:

**Not focusing on the gender pay gap** Asked about the top three traits that will define a truly inclusive organization, only 7 percent of CEOs picked *mandates equal pay for equal work* as an answer. The option ranks 14 out of 15 globally, yet our research shows that monitoring and ensuring pay equity between men and women in leadership roles is one of the most effective ways to increase the representation of women in leadership ranks.<sup>19</sup>

**Not fully embracing customers** Only 36 percent of respondents think that their organization should look for employees who better reflect their customer base.

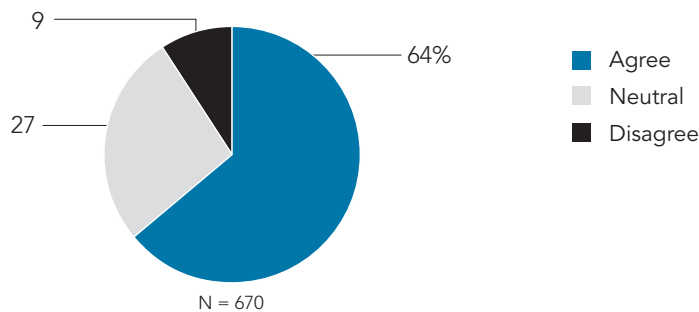
## Sustainability: A Future Driver of Growth

CEOs acknowledge the importance of embedding sustainability into the business, and they view sustainability as more than just “doing less bad;” they increasingly see it as central to creating more value.

**CEOs’ holistic view of the sustainable enterprise of the future centers on talent and value creation** CEOs believe the successful companies of the future will see sustainability as a value driver for growth. This view is consistent with one gaining prominence within the global investor community: that companies need to focus more on long-term value creation. Increasingly, success will require CEOs not only to optimize financial performance but also to demonstrate how their companies make a positive contribution to society.

Chart 7

### Most CEOs agree that executive compensation will one day be linked to value creation rather than stock performance



Source: The Conference Board - C-Suite Challenge 2019

<sup>19</sup> *Effective Leadership Development Strategies for Women Leaders at Pivotal Points*, Korn Ferry and The Conference Board, 2019 (forthcoming).

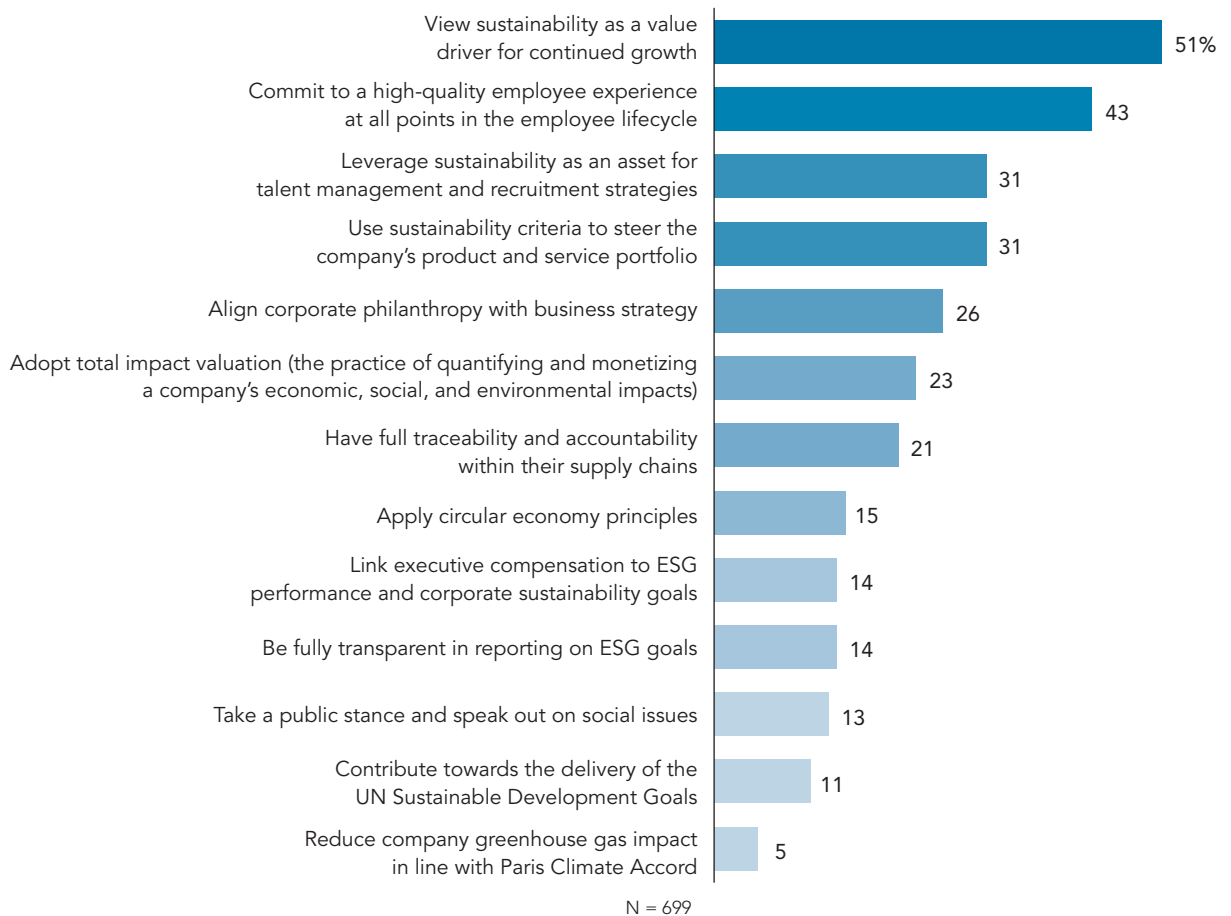
Almost two-thirds of CEOs globally see companies linking compensation to value creation rather than stock performance in the future. Currently, about one-quarter link incentive compensation to sustainability performance. Across Europe, only 5 percent of companies report linking sustainability issues to executive remuneration.<sup>20</sup>

Almost one-third of CEO respondents see sustainability as a critical talent retention and recruitment tool—almost double the number that believed so in our 2016 survey. Company leaders face pressure from stakeholders to improve performance on issues such as diversity, inclusion, and gender pay equity—and this pressure is likely to continue to grow. Strengthening the link between sustainability and human capital will become especially important as companies welcome Gen Z to their workforce, a generation that prioritizes working for companies that strive to make a positive contribution to society.

Chart 8

### Sustainability is a value driver and talent retention tool

What are the 3 must-have values, characteristics, or traits in terms of sustainability and social impact of the 'organization of the future' (by 2025)?



Source: The Conference Board - C-Suite Challenge 2019

20 Singer et al., *Sustainability Practices: 2018 Edition*.

## The Organization of the Future Will Be Regulated More

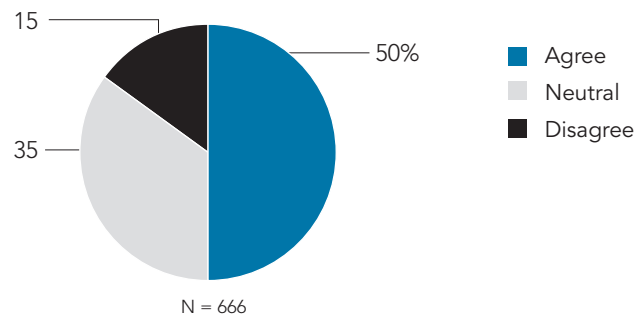
Globally, CEOs anticipate more regulation to come, especially around data privacy, environmental impact, social media, food safety, autonomous vehicles, and drone technology. Few see less regulation.

**Is regulation an obstacle or an opportunity?** The regulatory climate has intensified virtually everywhere business is conducted. For some firms, especially in sectors such as finance and energy that are under heavy government scrutiny, regulation often means obstacles, additional costs, and compliance nightmares. However, others see an opportunity to take advantage of the evolving regulatory playing field to develop lucrative new products and services. Reflecting the current deregulation climate in the US, when compared to global peers, a considerably smaller percentage of CEOs there expect to see increased regulation in such areas as employment and labor law, environmental impact, consumer safety, and antitrust.

Chart 9

### The Rise of the Professional Board Member?

Many boards today are trying to figure out if they have the proper skills and experience to guide their companies now and in the future. They need to consider whether the backgrounds and experience of their existing directors are appropriate or if new skills are needed. Recently, some critics have been outspoken about their perception of deficiencies in the current state of board renewal, leading to the notion of professional board members—experienced individuals with specific skills and areas of expertise who devote all of their work, time, and energies to corporate board activities.



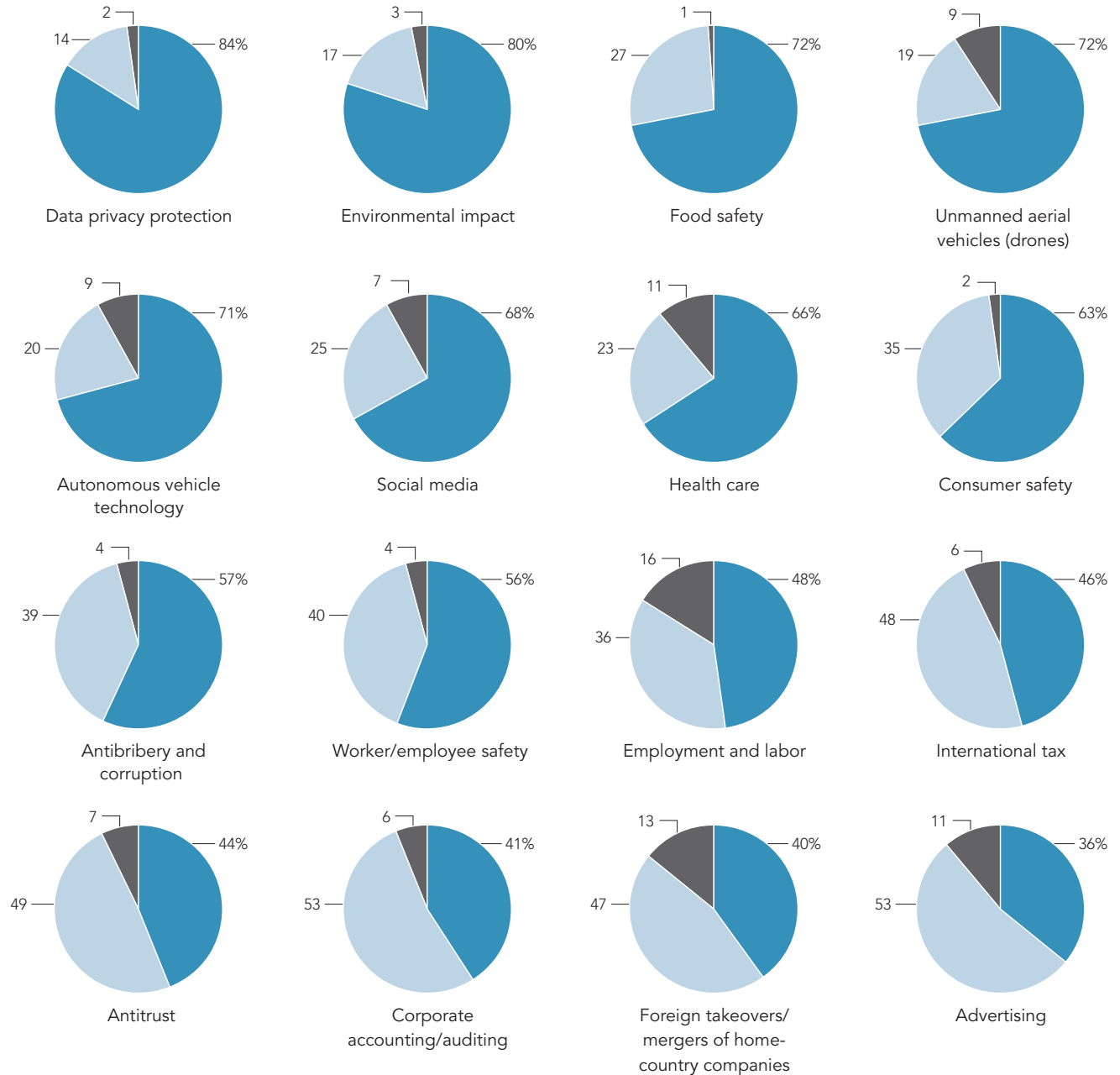
Source: The Conference Board - C-Suite Challenge 2019

Chart 10

**CEOs expect more regulation in the future around data privacy, environment, food, and technology**

By 2025 do you expect more, less, or about the same level of regulation in the following areas?

More About the same Less



N = 668

Source: The Conference Board - C-Suite Challenge 2019

## About the Authors

**Charles Mitchell**, Executive Director, Knowledge Content and Quality, at The Conference Board, is responsible for the development of member-generated content and ensuring the objectivity, independence, accuracy, and business relevance of the organization's research.

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**Bart van Ark, PhD** is Executive Vice President and Chief Economist of The Conference Board. He leads a team of almost two dozen economists in New York, Brussels, and Beijing who produce a range of widely watched economic indicators and growth forecasts and in-depth global economic research. A Dutch national, he is the first non-US chief economist in the history of The Conference Board.

## About the Survey

Since 1999, *The Conference Board CEO Challenge®* survey has asked CEOs, presidents, and chairmen across the globe to identify the key strategies they intend to use to meet their critical business challenges. This year, 1,426 C-suite executives, including 815 CEO respondents as well as chief financial officers, chief human resources officers, chief information officers, and chief marketing officers, were asked questions related to how they see their organization in 2025. The questionnaire covered a broad range of issues: human capital, customer relationships, technological change, operational excellence, innovation, and sustainability. In addition, we presented our respondents with two lists of "hot-button issues," one related to what in the external environment keeps them awake at night, the other related to the organization. Their responses highlight the unique pressure points they see within their own organization as well as their regional economic microclimates.

The anonymous survey was carried out between September and October 2018. To provide a representative view from respondents from around the world, we weighted the responses in aggregates (such as global and major regions) by the square root of the respondent's country share in global output (GDP) divided by the respondent's share in the total number of responses from his/her country. "Top 3" rankings are not weighted but are based on a straight count of how often each option is selected.

While CEO and C-suite priorities certainly vary on a company-to-company basis, we believe this report can serve as a discussion starter and idea prompter within organizations to ensure that the enterprise understands the challenges it faces, the strategic goals it needs to set to meet those challenges, and the strategies and tactics required to be competitive in a global marketplace.

The project, coordinated by The Conference Board, was made possible thanks to the collaboration with 14 institutes around the world that invited their members and contacts to fill in the questionnaire to improve the coverage globally.

## Acknowledgments

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## Survey Demographics

BY JOB TITLE	Count	Percent
CEO	815	57%
CFO	90	6
CHC	143	10
Other C-suite	389	27
<b>TOTAL C-SUITE</b>	<b>1,437</b>	<b>100%</b>

Please note CHC total includes 4 job titles (CHRO + Chief Diversity Officer + Chief Learning Officer + Chief Talent Officer).

BY REGION	Count	Percent
US	291	20%
Europe	500	35
Japan	169	12
China	171	12
Latin America	91	6
Rest of the World	86	6
<b>TOTAL</b>	<b>1,426</b>	<b>100%</b>

BY REVENUES	Count	Percent
Less than \$100 million	528	45%
\$100 million to under \$5 billion	371	32
\$5 billion and above	266	23
<b>TOTAL</b>	<b>1,165</b>	<b>100%</b>

BY INDUSTRY	Count	Percent
Manufacturing	384	36%
Finance	137	13
Service	552	51
<b>TOTAL</b>	<b>1,073</b>	<b>100%</b>

BY GENDER	Count	Percent
Male	945	80%
Female	217	18
Other	0	0
I prefer no to say	14	1
<b>TOTAL</b>	<b>1,176</b>	<b>100%</b>

## Regional Partners



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