Preparing America’s C-Suites to Compete in the 21st Century
Committee for Economic Development

C-Suite Challenge 2019
The Future-Ready Organization

3 April 2019
Decomposition of US GDP growth shows productivity recovery to be a tall order to return to past growth rates.

Note: Contributions are in log points, GDP growth rates are presented as percent changes.

Source: The Conference Board Global Economic Outlook 2019 (November 2018)
Qualitative growth contributions can only partially offset the weakening in global workforce growth

One third of global growth comes from qualitative growth sources
- Human capital
- Innovation and digital transformation
- Productivity

Two thirds of global growth comes from quantitative growth sources
- Hours worked
- Machinery, equipment, structures

Note: Contributions are in log points, GDP growth rates are presented as percent changes
Source: The Conference Board Global Economic Outlook 2019 (November 2018)
About the C-Suite Challenge 2019: 1426 respondents, of which 815 CEOs across the globe

- We conduct the survey since 1999
- This year’s survey was circulated between September and October 2018
- 1,426 C-suite executives, including 815 CEOs across the globe,
- Theme: the Organization of the Future through 2025
Globally, recession concerns dominate fueled by CEOs fears of global trade disruptions and political instability.

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

<table>
<thead>
<tr>
<th>HOT BUTTON ISSUES 1</th>
<th>Overall</th>
<th>US</th>
<th>Europe</th>
<th>Japan</th>
<th>China</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recession risk</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Threats to global trade systems</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Global political instability</td>
<td>3</td>
<td>6</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>New competitors</td>
<td>4</td>
<td>2</td>
<td>4</td>
<td>4</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Declining trust in political and policy institutions</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>6</td>
<td>6</td>
<td>4</td>
</tr>
<tr>
<td>Cyber security</td>
<td>6</td>
<td>1</td>
<td>3</td>
<td>6</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Currency volatility</td>
<td>7</td>
<td>11</td>
<td>8</td>
<td>11</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Rising interest rates</td>
<td>8</td>
<td>7</td>
<td>9</td>
<td>9</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Uncertainty in corporate tax policies</td>
<td>9</td>
<td>10</td>
<td>10</td>
<td>12</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Income inequality</td>
<td>10</td>
<td>8</td>
<td>12</td>
<td>7</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Impact of climate change on our business</td>
<td>11</td>
<td>9</td>
<td>13</td>
<td>5</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Volatility in energy prices</td>
<td>12</td>
<td>13</td>
<td>11</td>
<td>10</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Effects of Brexit</td>
<td>13</td>
<td>14</td>
<td>7</td>
<td>14</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Terrorism</td>
<td>14</td>
<td>12</td>
<td>14</td>
<td>13</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: The Conference Board - C-Suite Challenge 2019
CEOs agree on two stress points within their companies: talent and disruptive technologies

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

<table>
<thead>
<tr>
<th>HOT BUTTON ISSUES 2</th>
<th>Overall</th>
<th>US</th>
<th>Europe</th>
<th>Japan</th>
<th>China</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attraction and retention of top talent</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Creating new business models because of disruptive technologies</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Developing Next Gen leaders</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Better alignment of compensation and incentives with business performance</td>
<td>4</td>
<td>6</td>
<td>6</td>
<td>9</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Reduction of baseline costs</td>
<td>5</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Volatility in cash flow</td>
<td>6</td>
<td>7</td>
<td>10</td>
<td>11</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>A more an effective performance measurement system for employees</td>
<td>7</td>
<td>9</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Managing mergers &amp; acquisitions</td>
<td>8</td>
<td>5</td>
<td>4</td>
<td>7</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Workforce diversity</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>4</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Compliance with data privacy regulations</td>
<td>10</td>
<td>12</td>
<td>8</td>
<td>13</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Wage increases</td>
<td>11</td>
<td>11</td>
<td>11</td>
<td>8</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>Labor relations</td>
<td>12</td>
<td>14</td>
<td>12</td>
<td>10</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Providing healthcare benefits for employees</td>
<td>13</td>
<td>7</td>
<td>14</td>
<td>12</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>Abusive behavior in the workplace</td>
<td>14</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>14</td>
<td>14</td>
</tr>
</tbody>
</table>

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
51% see sustainability as a growth driver

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

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

70% expect future consumers to be more value conscious
Key takeaways

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

Looking out to 2025, what do CEOs see as the top 3 hallmarks of operational efficiency?

- A balance between short-term agility and long-term vision
- Transparency
- Change in the way we work

Source: The Conference Board - C-Suite Challenge 2019
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?

- Improved customer experience
- Increased productivity
- Faster and better decision making

Source: The Conference Board - C-Suite Challenge 2019
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**
  - Enhance quality of products/services (91%)
  - Develop a more outward-looking customer-centric culture (78%)
  - Use agile methodologies to prototype experiences and business models to enhance speed to market (75%)
  - Find customers are more value conscious (70%)

- **Neutral**
  - Emphasize servitization of products as the distinction between products and services blurs (e.g. offering health solution as opposed to selling pharmaceuticals) (69%)
  - Expect the CEO to personally engage more frequently with key customers/clients (68%)
  - Provide an omnichannel approach for selling products and services as customers will change at different speeds and have increasingly different preferences (63%)
  - Emphasize customer/client data protection efforts as a competitive advantage (63%)

- **Disagree**
  - 1%
  - 2%
  - 4%
  - 4%
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?

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

Source: The Conference Board - C-Suite Challenge 2019
Are leaders and culture less of an organizational challenge than technology?

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:

<table>
<thead>
<tr>
<th>CONFIDENCE</th>
<th>Overall</th>
<th>US</th>
<th>Europe</th>
<th>Japan</th>
<th>China</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>The right leaders</td>
<td>7.2</td>
<td>7.5</td>
<td>7.1</td>
<td>5.9</td>
<td>7.7</td>
<td>7.3</td>
</tr>
<tr>
<td>The right talent</td>
<td>6.8</td>
<td>6.9</td>
<td>6.8</td>
<td>5.8</td>
<td>7.3</td>
<td>7.3</td>
</tr>
<tr>
<td>The right culture</td>
<td>7.3</td>
<td>8.1</td>
<td>7.3</td>
<td>6.1</td>
<td>7.0</td>
<td>7.3</td>
</tr>
<tr>
<td>The right organizational structure</td>
<td>6.8</td>
<td>7.2</td>
<td>6.7</td>
<td>5.8</td>
<td>7.1</td>
<td>7.1</td>
</tr>
<tr>
<td>The right go-to-market model</td>
<td>6.7</td>
<td>6.7</td>
<td>6.9</td>
<td>5.5</td>
<td>7.2</td>
<td>6.9</td>
</tr>
<tr>
<td>The right technology</td>
<td>6.6</td>
<td>6.5</td>
<td>6.6</td>
<td>6.1</td>
<td>7.1</td>
<td>7.5</td>
</tr>
</tbody>
</table>

Source: The Conference Board - C-Suite Challenge 2019
CEOs have higher overall confidence levels than CFOs and human capital execs

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?

<table>
<thead>
<tr>
<th>CONFIDENCE IN ...</th>
<th>CEO</th>
<th>CFO</th>
<th>Human capital execs</th>
<th>Less than $100 million</th>
<th>$100 million to under $5 billion</th>
<th>$5 billion and above</th>
</tr>
</thead>
<tbody>
<tr>
<td>The right leaders</td>
<td>7.2</td>
<td>6.9</td>
<td>6.8</td>
<td>7.1</td>
<td>6.9</td>
<td>6.9</td>
</tr>
<tr>
<td>The right talent</td>
<td>6.8</td>
<td>6.4</td>
<td>6.7</td>
<td>6.8</td>
<td>6.5</td>
<td>6.7</td>
</tr>
<tr>
<td>The right culture</td>
<td>7.3</td>
<td>6.8</td>
<td>7.1</td>
<td>7.2</td>
<td>7.0</td>
<td>7.2</td>
</tr>
<tr>
<td>The right organizational structure</td>
<td>6.8</td>
<td>6.3</td>
<td>6.5</td>
<td>6.7</td>
<td>6.6</td>
<td>6.5</td>
</tr>
<tr>
<td>The right go-to-market model</td>
<td>6.7</td>
<td>6.3</td>
<td>6.5</td>
<td>6.7</td>
<td>6.5</td>
<td>6.7</td>
</tr>
<tr>
<td>The right technology</td>
<td>6.6</td>
<td>6.0</td>
<td>6.2</td>
<td>6.7</td>
<td>6.5</td>
<td>6.3</td>
</tr>
</tbody>
</table>

Source: The Conference Board - C-Suite Challenge 2019
CEOs expect more regulation in the future around data privacy, environment, food and tech

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

- **More**
- **About the same**
- **Less**

**Data privacy protection**
- More: 14 (84%)
- About the same: 2 (12%)
- Less: 1 (6%)

**Environmental impact**
- More: 17 (80%)
- About the same: 3 (15%)
- Less: 1 (5%)

**Food safety**
- More: 27 (72%)
- About the same: 5 (16%)
- Less: 3 (9%)

**Unmanned aerial vehicles (drones)**
- More: 19 (72%)
- About the same: 9 (36%)
- Less: 1 (4%)

**Autonomous vehicle technology**
- More: 20 (71%)
- About the same: 9 (30%)
- Less: 1 (4%)

**Social media**
- More: 25 (68%)
- About the same: 7 (19%)
- Less: 3 (8%)

**Health care**
- More: 23 (66%)
- About the same: 11 (32%)
- Less: 2 (6%)

**Consumer safety**
- More: 35 (63%)
- About the same: 2 (37%)
- Less: 1 (2%)
Work in the future will differ, including for CEOs!

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

- Stronger emphasis on strategic skills
- Stronger emphasis on people management and other so-called soft skills
- My organization will be structured in a very different way
- Stronger emphasis on creative skills
- Stronger emphasis on technology skills

I don’t expect my job to change much

My department will have a very different role in the company

Greater automation of my tasks

Other

Source: The Conference Board - C-Suite Challenge 2019
Balancing between short-term challenges and long-term vision

- CEOs have a strong sense of the challenges ahead to keep their companies successful by 2025
- Customer focus, customer value and experience is the key opportunity – ahead of productivity or efficiency (higher speed)
- *Productivity is as much about the numerator (output) as the denominator (input – labor, capital, tech) of the equation*
- The talent and technology issues are top of the list and clearly connected…
- But greater level of comfort that leadership or culture issues are on the right track whereas technology concerns seem the bigger issue
- Regulations become an increased concern as barrier to innovation
- CEOs expect their own jobs to become even more strategic and more people-focused
2019 – 2024 CED Research Framework

Identifying public policies that foster prosperity for all Americans and enable continued U.S. global economic leadership in the 21st century economy

Reasoned Solutions

Human Capital
Physical Capital
Innovation and Technology
Globalization

Subcommittees

Women in Leadership

Prosperous consumers (“broad demand” are critical

DEMOCRATIC CAPITALISM

Subcommittee: Sustainable Capitalism

Education Policy: Subcommittee - Education
Regulatory Policy: Subcommittee – Regulations
Fiscal Policy: Subcommittees – (1) Healthcare (2) Fiscal Health
Democratic Institutions: Subcommittee – Money in Politics
C-Suite Challenge 2019