

Disruption:

A global crisis in Leadership confidence



Purpose and objectives

Odgers Berndtson Leadership Confidence Index makes it clear that there is a crisis of confidence regarding our business leaders. Only 15% of senior executives, across geographies and sectors, are confident that their leadership team is fit to lead through future disruption.

Our study, developed with Harvard Business Review Analytic Services, surveyed nearly 2,000 global executives and senior managers, representing companies with revenues ranging from \$50 million to over \$5 billion. While the results may be worrying, they also provide valuable insight into the leadership and organisational characteristics enabling some companies to face these challenges successfully.

Until a few weeks ago, it was already clear that it is time to act and to embrace the change. Unfortunately, today the Covid 19 crisis demonstrates that many of the conclusions of our study are getting even more relevant.

This document aims to provide leaders with clear answers around three critical questions:

- What is behind the lack of confidence in today's leaders?
- What are confident companies doing differently?
- What are the key priorities to prepare for disruption?

At Odgers Berndtson we strive to contribute our share to our clients' and partners' success. We are certain that the insights in this document can be a valuable input for you and your organisation's future.

WHAT IS BEHIND THE LACK OF CONFIDENCE IN TODAY'S LEADERS?

A GLOBAL CRISIS IN LEADERSHIP CONFIDENCE

95% of senior executives around the world believe that managing disruption well is vital to the success of their organisations, yet a staggering 85% lack confidence in their own leadership team's ability to successfully navigate through disruptive times.

The Odgers Berndtson Leadership Confidence Index reveals a clear crisis of confidence in top global leaders.

The study, developed with Harvard Business Review Analytic Services, surveyed senior managers representing companies with revenues

ranging from \$50 million to over \$5 billion. Among the respondents 85% report lack of confidence that their leaders can deliver long-term success amid increasingly disruptive forces. This concerns spans across geographies from Asia to Europe.

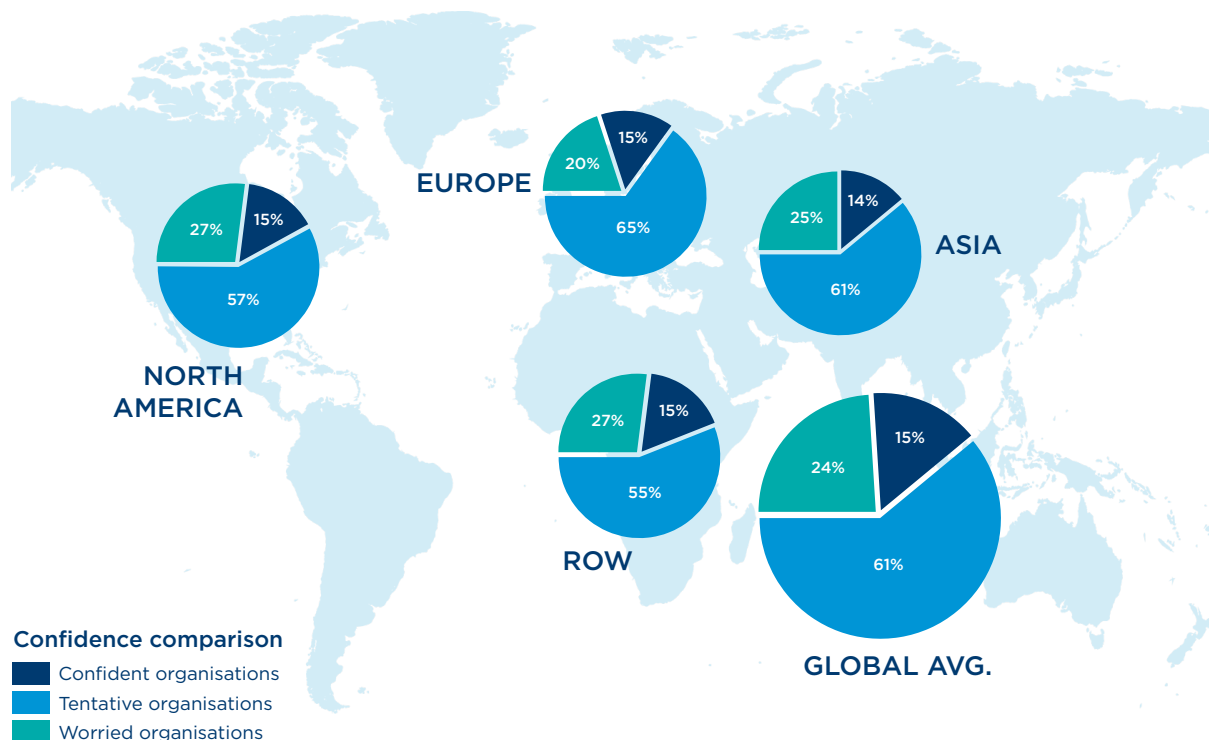
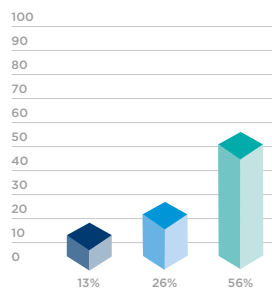
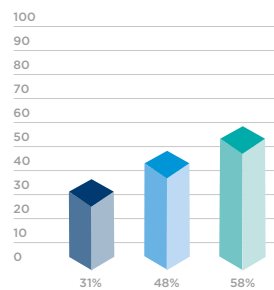


Exhibit 1 – Levels of leadership confidence across geographic regions

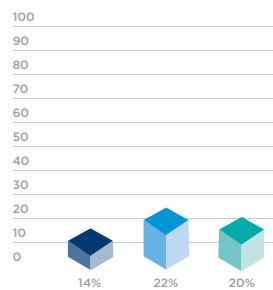
Lack of vision/buy-in



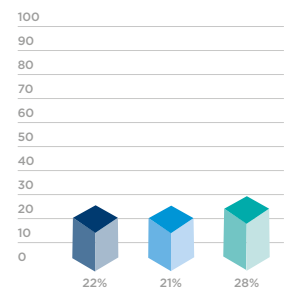
Resistance to change



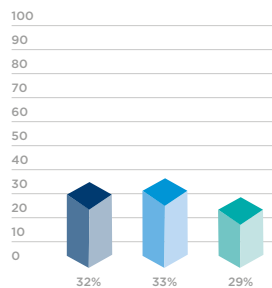
Inability to experiment



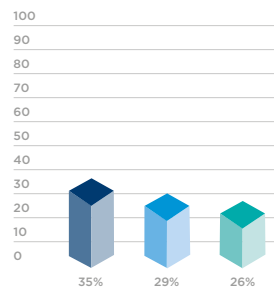
Lack of clear processes



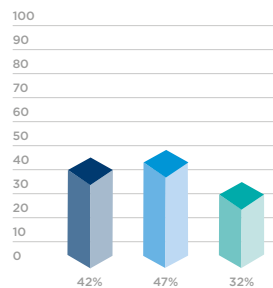
Siloed data/information



Legacy technology



Day-to-day demands



Confidence comparison

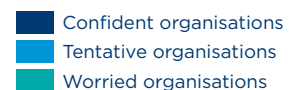


Exhibit 2 - Top challenges to managing disruption well

In terms of industries, leadership confidence tends to be higher in sectors such as technology and consulting, with overall “average industry sector” confidence scoring between 48 to 60 on The Odgers Berndtson Confidence Index.

Disruption in business is hardly new, but the accelerating pace of change, coupled with economic insecurity, makes these figures very unsettling.

As business leaders struggle to manage rapidly changing stakeholder expectations and technological, environmental, and political uncertainty, there’s solid consensus amongst 88% of the leaders polled that these challenges will only increase over the next five years.

The underlying reasons for these results are that senior managers consider that their leaders don’t have the necessary mind-

set and required skills. Our study reports resistance to acknowledge the impact of disruptions on their industries and business models. This short-fall in terms of mind-set and an outdated skills-set is hindering top management from developing a clear vision for their organisation, that is capable of absorbing today’s and tomorrow’s everchanging market contexts. As a direct consequence, leaders do not drive the change needed to maximise value creation.

WHAT ARE CONFIDENT COMPANIES DOING DIFFERENTLY?

ADAPT OR DIE – IT’S TIME TO EMBRACE CHANGE

The Odgers Berndtson Leadership Confidence Index finds that there is a significant difference between the 15% of companies that are confident in their leadership and the ones that lack confidence. While all companies are challenged to evolve day-to-day operations and infrastructures, our study enhances three things that confident organisations do differently.

The importance of embracing disruption

The uncomfortable truth for some CEOs is that a strong track record does not equate to having capabilities to deal with future disruption. But for the most progressive leaders in top organisations – the winning 15% in our study – opportunities are abounding. These leaders have the mindset and vision to seize opportunities and are doing so. What is required is a healthy attitude towards change.

Strategy as a fluid and ongoing exercise

The Index’s results also reflect the recognition that the conventional five-year strategy plan is too restrictive and is becoming obsolete. Instead, a continuous evolution of the

strategy is required to keep pace with disruption. For example, in more progressive organisations, leadership is much more focused on moving the strategy forward at an accelerated pace. This requires a mindset to adapt constantly, to drive growth, and to find the right balance of agility and resilience to stay on course.

Humility and Inclusiveness as a way of dealing with a world of too many unknowns

A leadership style focused on continuous evolution of the strategy requires wider engagement and input from both the extended leadership team and the broader organisational structure. “What we are finding is that the leaders who are successfully thriving now, are much more collaborative with their colleagues,” says Mark Braithwaite, Odgers Berndtson Managing Partner, APAC. “They give their time to open more debate and see better outcomes as a result.” Organisations with more limited views are stifled in their ability to innovate. This is why the impetus for a leadership mindset focused on continuous evolution also implies abandoning the old

management structures of “command and control”. To model those who are driving success amidst disruption, leaders are learning to admit that they don’t have all the answers and are able to move on from past success. They are opening the way for their teams to innovate together, without fear of failure, as they create and implement new business models to take advantage of the pace of change, rather than become a victim of it. Braithwaite, who has conducted and published research on the mindset required for change in the context of disruption, believes that humility is a core quality for leadership in the future. “If leaders have the humility to accept that they don’t know everything,” he says, “they can create a culture of innovation that includes collaboration and diversity to think through business problems – a culture that celebrates trial and error.”

WHAT ARE THE KEY PRIORITIES TO PREPARE FOR DISRUPTION?

A WAY FORWARD TO INITIATE CHANGE

Leadership is being forced to either operate in different ways or face extinction, for themselves and potentially the organisations they lead. The data allows us to see clearly what is important to succeed. While we know that this paper does not offer answers to all challenges, it offers an accessible and workable starting point to initiate change.

Reinvent Leadership – mindsets and traits to thrive in the future

If organisations hope to compete in a world of growing disruption, they must look for ways to encourage and teach risk-taking. And if success

goes hand-in-hand with continuous innovation and adjustment of business models in the face of disruption, then tolerance of failure and openness to reinvention is also needed.

Thus, it's no surprise that qualities such as strategic thinking, resilience and adaptability score higher in our study, compared to more conventional skills such as digital acumen, analytic skills and ability to operationalise transformation.

Furthermore, today's leaders are being judged against a far wider range of values and mindsets, in addition to skillsets. The most successful leaders now score higher

for their curiosity, courage and emotional intelligence – personality traits that typically mattered less a decade ago.

The new paradigm is the focus on potential to deal with the future and thrive in new and different contexts.

“It's critical to have leaders who think and innovate differently. The type of people who are running towards disruption,” says Steve Potter, CEO of Odgers Berndtson US. “Organisations need leaders who aren't worrying about failure, but who are focused on opportunity and who will create structural changes, even if this uncomfortable”.

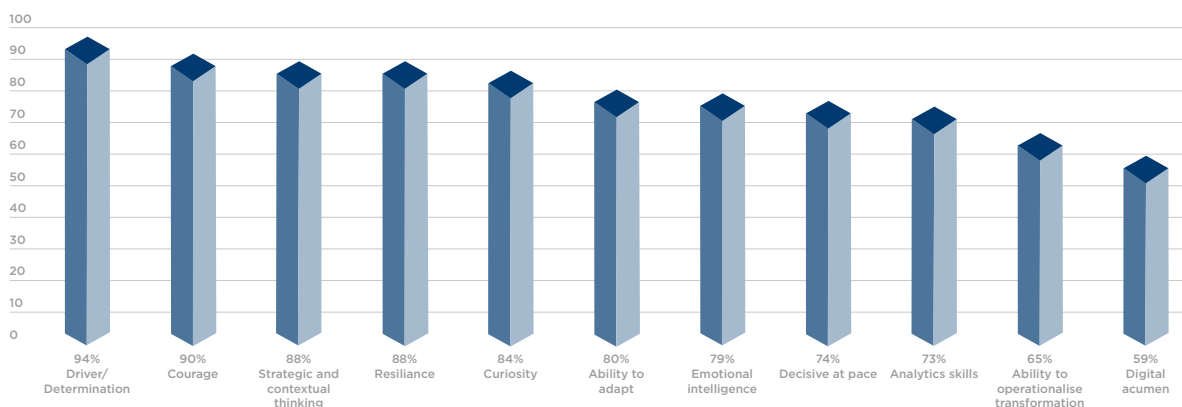


Exhibit 3 – Characteristics needed to thrive in a world of complexity and uncertainty

Prioritise Talent

A key challenge for organisations is that this type of talent is scarce. Our Index shows that finding and keeping talent is one of the most daunting challenges for organisations of all sizes, regardless of their preparedness for disruption.

Though the specific concerns and priorities vary across the organisations covered in the study, some universal themes have emerged. When it comes to securing the best leadership talent, it is clear that the actions and outlook of the current leadership are pivotal and that leadership needs to play a greater role. High potentials increasingly seek to align their contribution and input to organisations with a clear sense of purpose and those with a clear strategy to lead in their market.

Leadership teams that are not clear about their strategy and vision for dealing with disruption will simply not be able to appeal to the best talent.

However, the task does not end with attracting top talent. “Talent development is among the top priorities and responsibilities for the board and for senior executives,” says Eric Beaudan. “It’s not just an HR issue, it’s not just a CEO issue; it’s a business survival issue.” Confident organisations invest in proactive developing leaders and implementing effective processes for talent management.

To that end, leadership development must be based not simply on skills or past performance, but on potential and mindset to adapt and grow for the future. In this era of

continuous accelerating disruption, organisations should look for potential for self-growth, the ability to analyse and synthesise complex information, and the ability to drive and execute the strategy to completion. At the same time, leaders must remain resilient to challenge and adaptable to changes in the context and must have the ability to relate to and communicate with those they lead, in the pursuit of strategic goals.

To retain the best talent for the long term, organisations should have an actively managed and dynamic leadership succession plan, focused on identifying and nurturing high potential talent, which has the capability of learning and adapting just as the organisation does.



CPO as the new right hand of the CEO

85% of respondents believe that the CEO has the most critical role when facing disruption. As in many issues that require large scale change, it must start at the top. However, our study illustrates that confident companies rely on two additional C-Suite Executives to manage disruption – the CTO and the CHRO. The importance of the CTO is clear as the role has the technological acumen to advise the CEO on major digital disruptions that are amongst the most important and critical ones. The CHRO plays a critical role as the Executive should act as a knowledge expert and enabler for all people related themes.

There are three specific areas where CHROs will need to step up. First, developing a clear Leadership and Talent Agenda that is tightly linked to the business strategy. The second priority is to develop an employee journey that acts as a catalyst to attract, develop and retain top talent. The importance of this point is raised by the characteristics

of the Millennials and Gen Z generations that are extremely demanding with their employers and leave at higher rates than previous generations. At last, the CHRO needs to act as a transformational agent to help the CEO put the Leadership and Talent Agenda at the top of the organisation's priorities. The real challenge is to transform companies into Leadership Organisations and for that to happen, all people managers need to align and be role-models. The CHRO will be the trusted advisor that helps leaders prepare and grow into this role.

To be able to play this role and drive the new Leadership Agenda, the CHRO will require a new skills set, namely line experience, strategic vision, stakeholder manager and change management capabilities. HR departments will have to go through a transformation and evolve from a focus on administrative tasks to become a strategic business contributor.

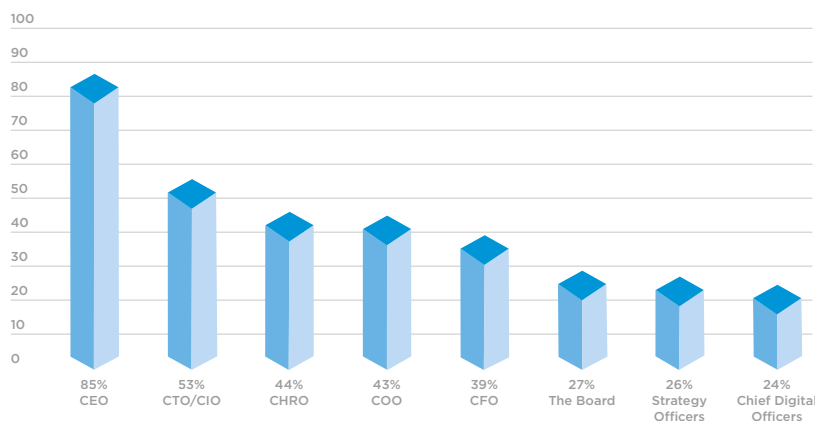


Exhibit 4 – Importance of each role in managing disruption

SO WHAT?

FINAL MESSAGE: EMBRACE DISRUPTION HEAD-ON AND PREPARE YOUR TEAM FOR CHANGE

Don't let a crisis of confidence undermine your organisation's success.

Stating that there is a crisis of confidence in the leadership of most organisations would have no real value without offering a way forward. The Leadership Confidence Index identifies what organisations should do and how they can prepare for the rise of disruptions.

In summary:

What are confident companies doing differently?

- **Embracing disruption**
- **Looking at strategy as an ongoing exercise that requires renewal**
- **Using inclusive, company-wide approaches to problem-solving**

What are the key priorities to prepare for disruption?

- **Redefine Leadership by focusing on competencies that are critical to face disruption**
- **Develop a Leadership and Talent Strategy that enables you to attract the best people**
- **Empower the CHRO to become a trusted advisor and transformation agent of your business**

Leadership is being forced to operate in different ways due the Covid-19 crisis. Make sure that you and your company are part of the set of companies that leverage disruption to flourish, rather than suffering by ignoring their impacts.

Take the opportunity to change and be your best.



WHERE CAN WE HELP?

HOW IS ODGERS BERNDTSON HELPING OUR CLIENTS TO LEAD THE CRISIS?

Odgers Berndtson has a worldwide track record in providing best in class solutions to help Leaders and Organisations to better lead and manage the crisis, namely in four areas:



Our leadership manifesto

Change is all about people.

About everyday activities and ideas. Millions of small acts that push for progress.

Change starts with...

...**passionate and audacious people, who dare to think differently**. They are not defined by status, race, age, gender or religion. They are defined by what they believe in.

...**people who anticipate the future**, determine new visions and point out new paths, without giving into the pressure.

...**people headed towards uncertainty**, resilient in adversity and effective in execution.

...**people who inspire** more people and make them grow.

...**people who change** the context. Dare not be changed by it.

...**people like you, me, everyone**.

Because the world, with the slightest push, from the right person at the right time, can move.

All we need to do is believe we are this change.

So, lets take the lead.

