THE CONFERENCE BOARD

C-SUITE CHALLENGE™ 2021

Leading in a Post-COVID-19 Recovery

AFTER A YEAR OF GLOBAL UPHEAVAL, LEADERS SEE NEW RISKS—AND OPPORTUNITIES—ON THE HORIZON

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4 Executive Summary: Meeting the Challenges Ahead

4 Insights for What's Ahead

7 About This Report

8 Leading in a Post-COVID-19 Recovery

14 Internal Strategy Focus for 2021

18 Levers of Growth: New Products and Customer Segments Driven by Data Analytics Will Drive Growth

20 Surmounting Obstacles: Finding Quality Talent and Overcoming Internal Resource Constraints Amid Pandemic Disruptions

23 Human Capital Management

28 COVID-19 Recovery: The Long-Term Legacies

32 Looking Ahead

C-Suite Challenge™ 2021: Risks and Opportunities Ahead

Heading into a post-COVID recovery...

58% of US CEOs see COVID-19 as the main disruptor of the 2021 business environment BUT 45% also see vaccine availability as having a major impact in the coming year

52% of CEOs in Japan and China cite recession risk as a big disruptor

50% of CEOs globally cite recruitment and retention of top talent as their most critical human capital focus

32% of US CEOs cite regulation as a major challenge BUT just 17% of CEOs globally see it as a critical issue

22% of US CEOs cite bringing people back to the physical workplace as focus compared to 5% globally

Lessons CEOs say they will use in 2021

CANADA
- Be prepared and open to change
- Flexibility
- Act quickly
- Understand business environment
- Support staff

UNITED STATES
- Collaborate to overcome difficulties
- Crisis as an opportunity for change
- Communication
- Rely more on technology
- Flexibility

GERMANY
- Flexibility
- Crisis management
- Communication
- Be calm
- Act quickly

Top lessons learned worldwide
- Keep calm
- Act quickly
- Ability to adapt
- Flexibility
- Digital development

CHINA
- Adapt to changes
- Communication
- Digitalization of business
- Crisis management strategies
- Strategic cooperation

JAPAN
- Rethink business model
- Ability to execute
- Management agility
- Speedy change
- Vision

CEOs say they are laser-focused on these top internal strategies...

1	2	3	4	5
Accelerate pace of digital transformation	Improve innovation	Modify business model	Lower costs	Streamline processes

...and internal obstacles in 2021

COVID-19- related disruptions	Lack of quality talent	Resource constraints relative to business needs	Lack of an innovation culture	Regulation

What they see as legacies of COVID-19

- **74%** Reduced **business travel**
- **70%** More **tasks automated**
- **69%** More resilient **supply chains**
- **67%** **Climate change** focus will increase
- **55%** Businesses expected to **address social goals**

2021 Human Capital focus issues

- Recruit, retain top talent
- Develop "Next Gen" leaders
- Build agile teams

Top 5 qualities CEOs say they seek most in future leaders

Innovative thinking
Ability to execute
Building trust and integrity
Team leadership
Critical thinking skills

https://www.conference-board.org/publications/c-suite-challenge-leading-post-covid-recovery

Source:The Conference Board

C-SUITE CHALLENGE™ 2021

Executive Summary: Meeting the Challenges Ahead

Since 1999, The Conference Board CEO Challenge® survey has asked CEOs across the globe to identify the most critical issues they face and their strategies to meet them. Since 2017, the C-Suite Challenge has expanded the survey pool beyond CEOs to the entire C-suite. This year's survey, conducted following the US elections in November 2020, asked CEOs and C-suite executives for their views on the external stress points they face and the strategies they will focus on to mitigate risk and seize opportunity as part of the post-COVID-19 recovery. In addition, the survey asked respondents for their views on the long-term impacts that will emerge from the pandemic. A total of 1,538 C-suite executives, including 909 CEOs across the globe, responded.

Insights for What's Ahead

When asked which issues outside of management control will have the greatest impact on their business in the coming year, CEOs cite the COVID-19 virus, vaccine availability, and changing consumer buying behaviors as the key potential game changers in 2021. However, despite modest growth expectations for the global economy in both the short and long term, business leaders seem unable to shake lingering recession concerns. Recession risk is the second-ranked external stress point globally for 2021 and number one for CEOs in China.

The strategies CEOs say they will focus on in 2021 are a mix of prudent financial management and cultural changes to drive growth and improve performance. In the short term, preparing for growth and recovery will require finding the right balance between conserving cash and investing in the innovations and programs needed to succeed in a new commercial landscape.

What's keeping CEOs up at night?

External Environment What issues outside of management control will have the greatest impact on my business in 2021?	**Internal Environment** What issues within management control will my organization focus on in the coming year?
HIGH IMPACT	HIGH FOCUS
• COVID-19 • Recession risk • Vaccine availability for COVID-19 • Shifting consumer buying behaviors • Global political instability	• Accelerate digital transformation • Improve innovation • Modify business model • Lower costs • Streamline processes
LOW IMPACT	LOW FOCUS
• Inflation • Volatility in energy prices • Shareholder activism • Lack of accessible childcare • Gender inequality	• Reduce headcount • Decentralize decision making • Reduce environmental impact • Enhance corporate citizenship • Accelerate inshoring of supply chain

2021—Light at the End of the Pandemic Tunnel: CEOs believe the distribution of a successful COVID-19 vaccine will have a significant impact on their businesses in the coming year and is likely contributing to their more positive view of future growth prospects by taking the worst-case economic scenarios out of play.

Lessons Learned: Adaptability, flexibility, clear communication, and the need for quick decisive action while maintaining calmness under fire are among the key lessons learned during the pandemic that CEOs say will help them manage the challenges ahead in 2021. Another lesson learned: the importance of external collaboration.

The Need for Speed: CEOs say their organizations will focus on accelerating digital transformation, modifying business models, and improving innovation, all while controlling costs and improving cash flow. The current crisis means the luxury of having years-long lead time to digitally transform and experiment with new business models is gone. Recovery will require finding the right balance between conserving cash and investing in innovation needed to succeed in a new commercial landscape.

The Business Model Challenge: Business model transformation is a critical focus for 2021 and seen by CEOs as an important growth lever, yet it is one of the hardest things for companies to do. Organizations must quickly pivot in response to new risks and opportunities requiring an extraordinary level of alignment across the enterprise as well as changes in organizational culture, structure, leadership, and a continuous evolution of talent and upskilling.

Levers of Growth: While CEOs and C-suite executives recognize that consumer buying behaviors are changing, they see new products and services and new customer segments, driven by data analytics and expanded strategic partnerships, as key levers of growth for their companies.

Human Capital Management: Despite the economic doldrums, CEOs remain focused on the recruitment and retention of top talent as well as the development of next-generation leaders. The focus on the core of talent management—recruitment, retention, and development—is an indication that human capital, once narrowly defined as the labor input in an organization's business model and categorized as an expense, is being recognized as the engine of the enterprise. CEO responses show they recognize human capital as a valuable intangible asset with workers a critical stakeholder essential for future growth.[1]

Remote Work Reaching Equilibrium: A year into the pandemic, remote work may have reached an equilibrium, with few responding CEOs planning to make significant changes to the current number of remote workers as part of their human capital management focus in the coming year. Companies may have found a comfort level when it comes to the number of remote workers they employ. Increasing the number of remote workers ranks 17th out of 21 human capital focus options for 2021, while decreasing the number of remote workers is dead last. In the United States, prepandemic, roughly 5 to 7 percent of full-time employees with office jobs worked primarily from home. That figure could settle at 20 to 40 percent in the postpandemic world.[2]

Policy Impact: The change in US administrations appears to be having an impact on CEOs, views of the global business environment.[3] This year's survey, completed after the US elections in November 2020, shows that, compared to our recent surveys, businesses have diminished levels of concerns both globally and in the US about trade disruptions, global political instability, and declining trust in government. However, US CEOs also express elevated levels of concerns about corporate tax policies and regulation.

Beyond the Pandemic: Long-Term Legacies of COVID-19

CEOs see a reduction in business travel, the automation of tasks (a clear outgrowth of their priority to digitally transform their organizations), large firms having better access to capital markets than smaller ones, more resilient supply chains, and an increased focus on climate change among the most likely long-term legacies of COVID-19.

Social Justice and Climate Risk: Compared to issues such as the pandemic and recession risk, CEOs do not see social justice concerns and climate change as having an immediate impact on their business environment in the year ahead. However, the majority do see a growing focus on both climate change mitigation and a need to address social issues in the public arena as likely long-term legacies of the COVID-19 pandemic. This view is likely driven by changing stakeholder expectations and increasing regulatory requirements.

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1 Paul Washington, Rebecca L. Ray, PhD, Solange Charas, PhD, and Amy Lui Abel, PhD, *Brave New World: Creating Long-term Value through Human Capital Management and Disclosure,* The Conference Board, December, 2020.

2 Gad Levanon, PhD, *COVID-19's Biggest Legacy: Remote Work and Its Implications in the US Postpandemic Labor Market,* The Conference Board, forthcoming February 2021.

3 It should be noted that because the list of options in the survey changes, expands and contracts each year to reflect ongoing changes in the business environment, exact year-over-year rankings are not available. Rather the rankings comparisons are meant to show a broad trend in rising or declining sentiment about each option relative to other issues.

Supply Chain Fixes: Even though concerns about global trade disruption have diminished, the pandemic has exposed vulnerabilities in supply chains, and CEOs believe the need to address global supply chain resilience will be one of the more important long-term legacies of COVID-19.

Access to Capital Markets: In the longer term, CEOs see large firms having greater access to capital markets relative to smaller firms. This signals challenges as well as opportunities for the business community. Since large companies often rely on small ones to do R&D and new product development, limited access to capital markets for small firms could have negative effects on innovation if merger and acquisition activity is used to squelch competition.

About this report

The anonymous survey was carried out in November into early December 2020 following the US elections in November. To provide a representative view from respondents from around the world, we weighted the 1,538 responses (909 CEOs, 629 C-suite executives) 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 their country. 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 collaboration with 14 organizations around the world that invited their members and contacts to fill in the questionnaire.

Leading in a Post-COVID-19 Recovery

When asked which issues outside of management control will have the greatest impact on their business in the year ahead, CEOs cite the COVID-19 virus, vaccine availability, and changing consumer buying behaviors as the game changers in 2021. Despite the modest growth expectations, both in the short and long term, business leaders, who have expressed relatively more confidence about future prospects than earlier in 2020, according to our CEO Confidence surveys, seem unable to shake lingering concerns over recession.[4] This concern may be linked to relatively lackluster global consumer confidence numbers.[5]

2021—Light at the end of the pandemic tunnel? CEOs believe the distribution of a successful vaccine will have a significant impact on their businesses in the coming year. While several factors are contributing to a recent rise in CEO confidence in the United States and Europe, our survey indicates vaccine distribution is contributing to the more positive view of future growth by taking the worst-case economic scenarios out of play. The spread of COVID vaccines will also provide greater clarity and predictability around short-term planning and operations such as when physical workplaces can reopen and the dependability of supply chains. For example, a survey of US-based managers and executives by The Conference Board in September 2020 found that although many US businesses hoped to reopen their workplaces by the end of that month, 35 percent said the timing of when their companies will reopen was still unknown, making even short-term planning difficult.[6]

Compared to their global peers, only CEOs in China, where lockdowns have been severe and unproven experimental vaccines have been available to select populations since August 2020, see an effective vaccine release as having less of an impact on the local business environment in 2021—they rate its impact ninth overall as an issue outside of management control. Globally it is third, with US CEOs giving it the highest ranking globally at number two.

4 For the latest information on US and European CEO Confidence data please go to https://conference-board.org/topics/CEO-Confidence

5 For the latest information on The Conference Board Global Consumer Confidence Index please go to https://conference-board.org/data/bcicountry.cfm?cid=15

6 Frank Steemers, Robin Erickson, PhD, Amanda Popiela, and Gad Levanon, PhD, *Adapting to the Reimagined Workplace: Human Capital Responses to the COVID-19 Pandemic*, The Conference Board, October 2020.

Despite the potential upside of COVID-19 vaccine availability in the coming year and improving CEO confidence in the economy, business leaders appear unable to shake lingering concerns about recession

Select the challenges or issues **outside management control** that you think will have the greatest impact on your business next year.

	Global CEO	US CEO	China CEO	Japan CEO	Germany CEO	EU (ex-Germany) CEO	Gulf Region (GCC)	Global C-Suite (non-CEO)
COVID-19	1	1	3	1	1	1	2	1
Recession risk	2	3	1	2	2	2	14	2
Vaccine availability for COVID-19	3	2	T-9	5	4	3	3	3
Shifting consumer/customer buying behaviors	4	T-5	4	3	3	5	9	4
Global political instability	5	10	5	4	5	4	8	6
Regulation	6	4	8	T-6	T-6	6	1	5
Global trade disruptions	7	7	2	10	11	8	6	8
Labor force skills	8	8	T-11	9	8	13	T-12	7
Margin compression	9	9	T-21	11	T-6	9	4	12
Competition	10	12	T-15	T-6	T-9	11	T-19	9
Access to capital/borrowing costs	11	T-18	6	T-20	T-16	16	11	21
Declining trust in government	12	13	T-18	T-18	15	10	T-22	15
Government debt levels	13	T-14	T-24	T-20	12	12	5	18
Impact of climate change	14	T-14	23	8	T-9	17	18	13
More agile competitors	15	T-18	7	T-13	19	14	10	10
Currency volatility	16	22	T-11	T-13	21	7	17	16
Corporate tax rates	17	T-5	T-21	T-23	T-13	21	T-24	14
Social justice issues	18	11	T-9	T-20	20	22	21	19
Lack of infrastructure investment	19	21	T-18	15	T-13	20	T-12	17
Stakeholder expectations about business role in social/environmental issues	20	T-14	T-15	12	T-25	18	16	11
Income/wealth inequality	21	20	T-15	T-18	T-22	19	T-24	22
Inflation	22	23	T-11	T-23	T-22	15	T-19	23
Other	23	17	T-26	T-16	T-16	24	15	24
Volatility in energy prices	24	T-24	T-18	T-16	T-16	23	7	20
Shareholder activism	25	T-26	T-11	T-25	T-25	27	T-24	25
Lack of accessible childcare	26	T-24	T-26	T-25	24	26	T-22	27
Gender inequality	27	T-26	T-24	27	27	25	T-24	26
	N=909	N=123	N=59	N=118	N=132	N=149	N=23	N=629

Notes: T indicates a tie in the rankings
Members of the Gulf Cooperation Council (GCC) include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
Source: The Conference Board

The Global Economic Outlook for 2021: Modest Recovery Amid Significant Headwinds

The COVID-19 health and economic crises dramatically interrupted global economic growth in 2020. While we anticipate a global rebound in 2021 of 4.4 percent year-on-year following a 4.2 percent decline in 2020, the outlook is heavily dependent upon:

1. The evolution of the pandemic
2. Government policy to control outbreaks
3. Continued monetary and fiscal policy supports; and
4. Widespread availability of coronavirus treatments and vaccines.

Because of the unpredictability of these variables, there will be significant disparities in terms of which economies will drive the revival, and the pace at which diverse industries, businesses, and households recover. Emerging markets (EMs) are anticipated to recover at a faster pace than advanced economies (AEs). Manufacturers and firms that do not require in-person activities probably will rebound more quickly. The potential for rapid production and deployment of COVID treatments and vaccines, faster productivity growth, accelerated adoption of new technologies, and increased investment in infrastructure and technology create an upside to the outlook. At the same time, geopolitics, deglobalization, economic inequality and global imbalances, international trade, and product protectionism (e.g., for technology, food, pharmaceuticals), oil prices, mounting sovereign debt, financial stability concerns, and climate change present serious downside risks over the 2021–2030 forecast horizon.

Source: StraightTalk® Divergences, Uncertainty, and Risks, The Conference Board. December 2020

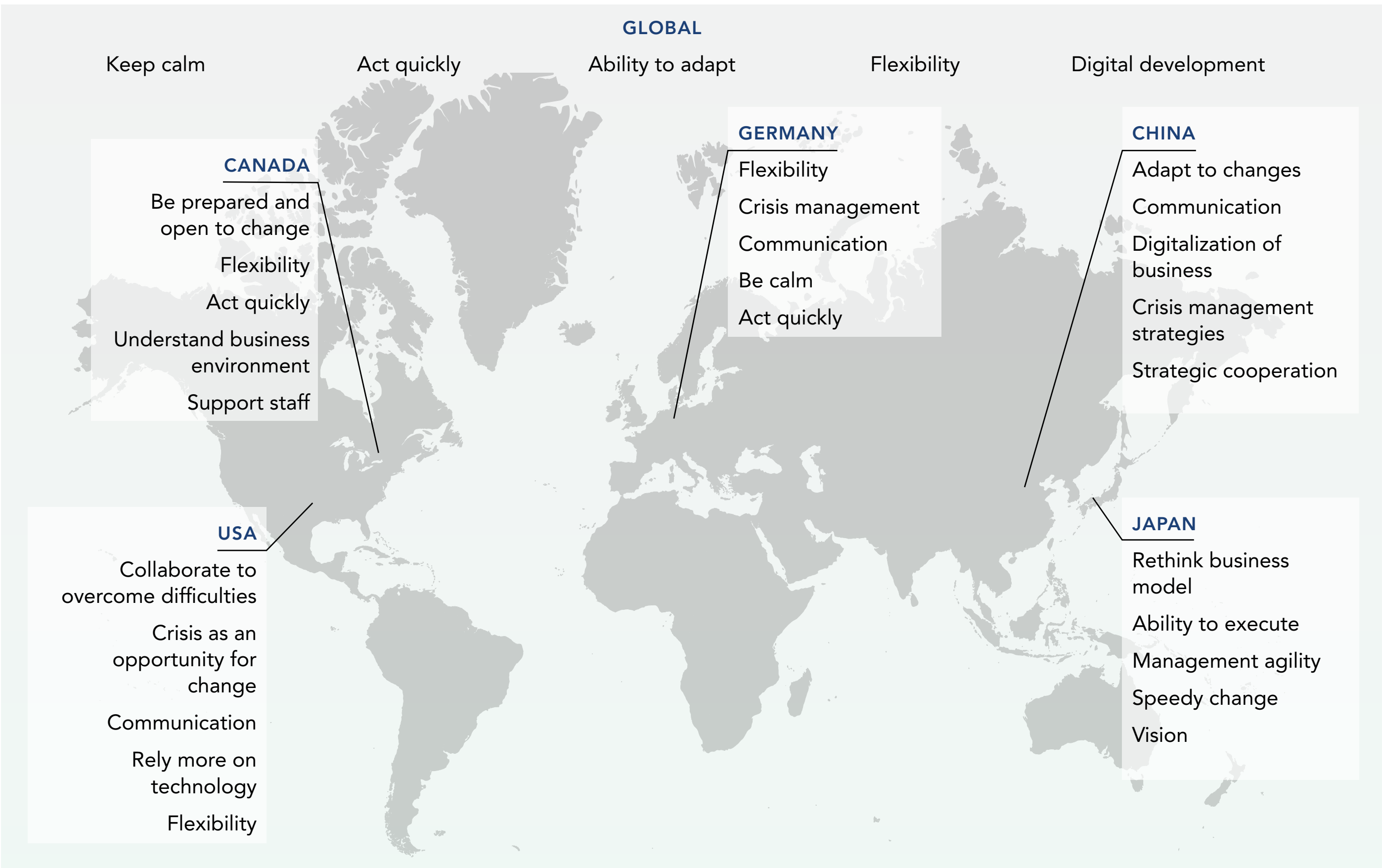
Adaptability, flexibility, clear communication, and the need for quick, decisive action while maintaining calmness under fire are among the key lessons learned during the pandemic that CEOs globally say will help them manage the challenges ahead in 2021. As organizations continue to navigate through COVID-19 challenges, many CEOs say they are planning for the postpandemic recovery by applying lessons learned during the crisis. CEOs and C-suite executives see opportunity to accelerate the transformation of their organizations into digitally driven enterprises that will be more agile in a post-Covid world. In previous editions of our survey, CEOs identified adaptability, agility, and flexibility as the hallmarks of the successful future-ready organization.[7] It appears the pandemic is teaching those lessons more broadly across the organization in real time and accelerating the urgency of transformation and change. During times of high stress, such as the COVID-19 pandemic, executives risk making decisions hastily without fully understanding all the consequences. In our survey, CEOs are mindful of this, hence the cited importance of taking measured action in a crisis. Another critical lesson learned: the importance of external collaboration—utilizing external networks and

7 Charles Mitchell, Ilaria Maselli, Rebecca L. Ray, PhD, and Bart van Ark, *C-Suite Challenge ™ 2019: The Future-Ready Organization*, The Conference Board, January 2019.

partnerships that can create a business ecosystem that drives innovation outcomes and contributes to problem solving in ways that far exceed the scope of what any organization can achieve on its own.

The most critical lessons CEOs say they learned from managing COVID-19 challenges

What have you learned in 2020 that will help you navigate 2021?



Note: The top 5 terms are based on a text analysis in response to the open-ended survey question: *What have you learned in 2020 that will help you navidate 2021?* Results are based on N=419 observations.

In Their Own Words

The following are a sample of verbatim responses from CEOs to the question:
What have you learned in 2020 that will help you navigate 2021?

US CEOS

All our crisis management programs were inadequate. None of us figured the world would come to a stop! There is plenty of opportunity to drive change at a time like this, everyone is more willing. Empathy and doing the right thing take you very far in tough times, with all constituents.

We can overcome huge obstacles and challenges by collaborating to drive both for business results and for human caring, simultaneously.

Business models must be constantly assessed, redesigned, and evolved at warp speed.

Stay focused above the noise.

CEOS IN CHINA

To be invincible in the future, the business must be digitalized. It gives you better overall control and more flexibility to respond to challenges.

Respond to emergencies calmly and make timely adjustments.

First, fair and decisive leadership is very important; second, an excellent corporate culture will enable the organization to survive any crisis; third, choosing the right people is the key to execution.

CEOS IN JAPAN

Even if you can't handle it, find out the truth without being distracted by a large amount of information.

Believe in the adaptability of employees to change in a crisis and their willingness to support company management.

It is important to constantly requestion the way we work.

Quickly catch the wind and respond quickly.

CEOS IN EUROPE

You must communicate effectively and continuously.

We learned that technology is very important in our lives. If it weren't for it, the impact of COVID–19 in 2020 would have been much harder to deal with.

We all need more internal communication; more shared vision; more trust building to improve engagement. Use the workspace as a tool for cultural change.

We learned the importance of innovation and digitization.

The change in US administrations appears to be affecting CEOs views of the global business environment, especially for those based in the US who have rising concerns about corporate tax policy and regulation.[8] This year's survey, completed after the US elections in November 2020, shows diminished levels of concerns both globally and in the US around trade disruptions, global political instability, and declining trust in government compared to a year earlier. However, US CEOs also report elevated levels of concern about corporate tax policies and regulation.

Supporting the lessening concern about global trade disruption: in our 2021 survey, 19 percent of US CEOs see a decrease in globalization as a likely long-term outcome of the COVID-19 pandemic, down from 50 percent in our June 2020 midyear survey. Globalization is multidimensional and includes financial flows, immigration, digital flows, and exchange of ideas. Deglobalization, especially in trade, which is probably the most visible aspect of globalization, was a trend that was already underway prior to the pandemic outbreak, according to research by The Conference Board.[9] The change in US administrations may, at least partially, begin to restore confidence in globalization.

The change in US administrations appears to be shifting CEO perceptions on several key issues for the year ahead

	US RANKING				GLOBAL RANKING			
Diminishing concern for US CEOs	**2019**	**2020**	**2021**		**2019**	**2020**	**2021**	
Uncertainity about global trade	4	4	7	▼	2	2	7	▼
Global political instability	6	4	10	▼	3	4	5	▼
Declining trust in government		8	13	▼		8	12	▼
Rising concern for US CEOs								
Corporate tax policy	10	14	5	▲	9	16	17	▼
Regulation	X	9	4	▲	X	10	6	▲

Source: The Conference Board

The impact of a new US administration appears to be felt globally as well. The concerns about global trade disruption declined everywhere except in China. While the tone of the confrontation between the new US administration and China will surely change, the foundation of the dispute (level playing field for business, IT and network security, territorial issues in the South China Sea) will likely remain the same for some time to come. European policy and business leaders are expecting a change in course by the US administration to restore a multilateral trade policy approach. For example, in December 2020, the European Commission launched a proposal for a new, forward-looking transatlantic agenda. Such cooperation may allow the two regions to restart discussions around a trade and investment agreement and reach an agreement on the regulation and taxation of large social media and ecommerce companies.

8 It should be noted that because the list of options in the survey changes, expands and contracts each year to reflect ongoing changes in the business environment, exact year-over-year rankings are not available. Rather the rankings comparisons are meant to show a broad trend in rising or declining sentiment about each option relative to other issues.

9 Ilaria Maselli , Klaas de Vries, Abdul Erumban, Ataman Ozyildirim, Erik Lundh, *Going Local: Changing Global Value Chains and the Impact on Revenue and Jobs*, The Conference Board, February 2019.

Internal Strategy Focus for 2021

The strategies that CEOs say they will focus on in 2021 are a mix of prudent financial management and cultural changes to drive growth and improved performance. In the short term, preparing for growth and recovery will require finding the right balance between conserving cash and investing in the innovations and programs needed to succeed in a new commercial landscape.

The strategies CEOs say they will focus on internally in 2021 combine sound financial management and cultural change to drive growth

Select the challenges or issues **within management control** that your company will focus on in the coming year.

	Global CEO	US CEO	China CEO	Japan CEO	Germany CEO	EU (ex-Germany) CEO	Gulf Region (GCC)	Global C-Suite (non-CEO)
Accelerate pace of digital transformation	**1**	**1**	**T-5**	**3**	**1**	**1**	**4**	**1**
Improve innovation	**2**	**2**	**1**	**1**	**4**	**2**	**3**	**3**
Modify business model	**3**	**6**	**2**	**4**	**5**	**5**	**2**	**5**
Lower costs	**4**	**3**	**T-5**	**7**	**3**	**4**	**1**	**2**
Streamline processes	**5**	**4**	**8**	**2**	**2**	**6**	**7**	**4**
Improve cash flow	**6**	**7**	**4**	**T-12**	**8**	**8**	**6**	**8**
Focus more on sustainability	**7**	**9**	**3**	**5**	**6**	**7**	**11**	**6**
Expand innovation through strategic alliances	**8**	**8**	**7**	**8**	**10**	**9**	**5**	**9**
Employ mergers, acquisitions, divestitures	**9**	**5**	**9**	**T-12**	**11**	**3**	**10**	**7**
Improve governance	**10**	**T-18**	**T-10**	**9**	**7**	**12**	**13**	**11**
Mitigate cyber risk	**11**	**10**	**16**	**T-15**	**11**	**13**	**14**	**12**
Improve transparency in internal communication	**12**	**12**	**15**	**6**	**9**	**18**	**8**	**14**
Update crisis contingency plans	**13**	**11**	**T-13**	**T-10**	**16**	**10**	**15**	**13**
Refine corporate mission/multi -stakeholder focus	**14**	**T-13**	**12**	**T-10**	**18**	**15**	**T-18**	**18**
Reduce headcount	**15**	**T-18**	**T-10**	**19**	**13**	**19**	**12**	**10**
Decentralize decision making	**16**	**20**	**T-13**	**14**	**T-14**	**11**	**9**	**15**
Reduce environmental impact	**17**	**T-13**	**T-17**	**T-15**	**T-14**	**16**	**17**	**16**
Enhance corporate citizenship	**18**	**T-13**	**T-17**	**T-17**	**17**	**17**	**T-18**	**17**
Accelerate inshoring of supply chains	**19**	**T-13**	**T-17**	**20**	**19**	**14**	**T-18**	**19**
Other	**20**	**T-13**	**T-17**	**T-17**	**20**	**20**	**16**	**20**
	N=909	N=123	N=59	N=118	N=132	N=149	N=23	N=629

Notes: T indicates a tie in the rankings
Members of the Gulf Cooperation Council (GCC) include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
Source: The Conference Board

CEOs say their organizations will focus on accelerating digital transformation, improving innovation while modifying existing business models, controlling costs, streamlining processes, and improving cash flow to mitigate risk and seize opportunities in the coming year. The COVID-19 pandemic and resulting economic downturn have ended the luxury of taking years to adapt to the digital revolution. While CEOs see digital transformation as their top strategic priority for 2021 (it can be both a growth strategy by enhancing customer experience and cost efficiency by creating leaner processes and functions), many organizations are struggling to achieve it. It is important to remember that investment in digital technology is only a piece of the digital transformation puzzle. It is organizational culture, enlightened leadership, and talent that will ultimately create a sustainable competitive advantage. The benefits of digital transformation can never be fully achieved without a concurrent investment in organizational structure and the human capital aspect of transformation and innovation. For many it also requires a cultural change that allows organizations to openly question their most basic beliefs and assumptions.[10] The responses to our survey show that CEOs are on the right path to driving digital transformation in their organizations. They are prioritizing such transformational fundamentals as integrating digital technology with business strategy by modifying their business models, building more agile teams, adopting more flexible work policies, embracing data analytics to drive decisions, engaging in external alliances and collaboration, and developing the next generation of leaders to thrive in a digitally transformed world.

Defining Digital Transformation

The Conference Board defines digital transformation as: The use of digital technologies (such as ubiquitous broadband and cloud storage, mobile technologies, artificial intelligence, and blockchain) and the data they produce to connect organizations, people, physical assets, processes, etc., for the purpose of rapidly developing new products, services, markets, and business models to capitalize on emerging customer needs. It also realizes process efficiencies, and improves the effectiveness of decision making across the organization. Within an enterprise, it often leads to significant changes in business strategy that may reshape a company or disrupt an entire industry.

10 Xiaohui (Janet) Hao, PhD, Sean Hicks, Charles Popper, and Chander Velu, *Realizing the Full Potential of Digital Transformation: Three Areas of Focus*, The Conference Board, June 2020.

Business model transformation is also a critical focus for 2021 and seen by CEOs as an important growth lever, yet it is one of the hardest things for organizations to do. The business model transformation journey is challenging, and requires moving beyond incremental change in how you sell things to a disruptive questioning and redefining of what it is that you make, what it is that you sell (is it a product, a service, or both?) and how it is sold. It requires asking hard questions about an organization's basic operating assumptions, available talent and skills, and culture. Its impact on an organization goes well beyond the external relationship with customers and how a business goes to market. Organizations must quickly pivot in response to new risks and opportunities requiring an extraordinary level of alignment across the enterprise as well as changes in culture, structure, leadership, and a continuous evolution of talent and upskilling. The focus on modifying business models is most acute in China and the Gulf region. One explanation: many businesses in advanced economies had already started efforts to overhaul their existing business models prior to the COVID-19 outbreak, though urgency has accelerated the pace.

Organizational Readiness for Transformation

Here are five questions to help kick start the conversation around digital and business model transformation:

1. Does our organization have a holistic digital and business model strategy that goes beyond just implementing technologies?
2. Do our leaders have the vision, knowledge, and skills to lead the transformation? Can they communicate the strategic vision, business case, and operational changes to the workforce?
3. What are the organizational capabilities we will need to execute our new business model? Do we have the expertise and processes to determine the best way to build those capabilities, e.g., using talent, technology, or a combination of both; crowdsourcing; or using ecosystem partners?
4. Does our current organizational culture support the elements of a digitally transformed business model such as collaboration across internal and external boundaries, agility, risk taking, etc.?
5. Do we have the talent and skills needed, where we need it?

Source: *Beyond Technology: Building a New Organizational Culture to Succeed in an Era of Digital Transformation*, The Conference Board, October 2016.

Industry sectors

CEOs in manufacturing are more focused on lowering costs and sustainable production compared to their peers in the services sectors. CEOs in financial services show greater focus on M&A and mitigating cyber risk than other sectors.

While CEOs in the services sectors are focused on accelerating digital transformation, CEOs in manufacturing are looking to lower costs

Select the challenges or issues within management control that your company will focus on in the coming year.

	Manufacturing	Financial Services	Nonfinancial Services
Lower costs	1	4	5
Improve innovation	2	2	2
Streamline processes	3	3	4
Accelerate pace of digital transformation	4	1	1
Focus more on sustainability	5	8	8
Improve cash flow	6	14	6
Modify business model	7	7	3
Employ mergers, acquisitions, divestitures	8	5	9
Improve governance	9	T-12	10
Expand innovation through strategic alliances	10	9	7
Improve transparency in internal communication	11	10	13
Reduce environmental impact	12	T-16	17
Mitigate cyber risk	13	6	14
Update crisis contingency plans	14	T-16	12
Accelerate inshoring of supply chains	15	T-19	20
Decentralize decision making	T-16	T-12	16
Refine corporate mission/ multistakeholder focus	T-16	18	11
Reduce headcount	18	15	15
Enhance corporate citizenship	19	11	18
Other	20	T-19	19
	N=207	N=80	N=478

Note: T indicates a tie in the rankings
Source: The Conference Board

Levers of Growth: New Products and Customer Segments Driven by Data Analytics Will Drive Growth

CEOs see new products and services and new customer segments, driven by data analytics and expanded strategic partnerships, as key levers of growth. CEOs in Japan are focusing on environmentally friendly offerings, while CEOs in China are focused on business model transformation

What changes are needed to grow your company in the coming years?

Growth Levers	Global CEO	US CEO	China CEO	Japan CEO	Germany CEO	EU (ex-Germany) CEO	Gulf Region (GCC)	Global C-Suite (non-CEO)
Develop/offer new products/ services	1	1	T-3	T-6	1	2	8	3
Expand strategic partnerships	2	2	2	5	2	3	7	1
Expand into new customer segments	3	T-5	T-3	3	3	1	T-14	4
Use data analytics	4	3	5	4	5	8	1	2
Business model transformation	5	10	1	2	T-9	6	6	5
Offering additional customer experience beyond core products or services	6	8	T-6	T-9	T-7	7	2	9
Develop a more customer-centric culture	7	11	T-9	T-6	T-9	5	4	6
Expand into new geographies	8	4	T-9	14	13	4	3	10
Expand into new channels	9	T-5	T-6	T-12	T-7	10	10	11
Change marketing strategy	10	9	T-6	T-12	14	13	11	13
Increase speed of products and services to market	11	7	14	11	T-9	9	5	8
Add more environmentally and socially sustainable offerings	12	14	12	1	T-9	12	17	7
Augment products with solution selling	13	12	T-15	T-9	6	11	16	12
Increase transparency of customer relationship processes	14	13	13	T-15	4	14	12	14
Create more mass customized products/services	15	15	11	T-15	15	16	9	16
Take more active role in social issues	16	16	T-15	8	17	15	T-14	15
Strengthen Board involvement and governance	17	17	T-15	T-15	18	17	13	17
Other	18	18	18	18	16	18	18	18
	N=845	N=112	N=56	N=108	N=125	N=135	N=21	N=593

Notes: T indicates a tie in the rankings
Members of the Gulf Cooperation Council (GCC) include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
Source: The Conference Board

While CEOs and C-suite executives recognize that consumer buying behaviors are changing, they see new products and services and finding new customer segments, driven by data analytics, and expanded strategic partnerships as key levers of growth for their companies. Understanding the nuances behind the changes in buying behavior and which ones will persist in a post-COVID-19 world, will dictate the reimagining and remaking of business models as organizations accelerate digital transformation and meet rising customer experience expectations. The capacity to collaborate with external partners will likely be a decisive factor in future success.[11]

CEOs in the services sectors are focused on strategic partnerships to drive growth; while manufacturing CEOs are looking to add more environmentally friendly offers to new products

What changes are needed to grow your company in the coming years?

Growth Levers	Manufacturing	Financial Services	Nonfinancial Services
Develop/offer new products/services	1	3	2
Expand into new customer segments	2	8	3
Add more environmentally and socially sustainable offerings	3	16	14
Expand strategic partnerships	T-4	2	1
Increase speed of products and services to market	T-4	T-10	11
Use data analytics	T-4	1	5
Business model transformation	T-7	7	4
Expand into new channels	T-7	T-4	10
Expand into new geographies	9	T-10	7
Develop a more customer-centric culture	10	T-4	8
Offering additional customer experience beyond core products or services	11	6	6
Augment products with solution selling	12	T-13	T-12
Increase transparency of customer relationship processes	13	15	T-12
Change marketing strategy	14	9	9
Create more mass customized products/ services	15	T-13	15
Strengthen Board involvement and governance	T-16	17	17
Take more active role in social issues	T-16	12	16
Other	18	18	18
	N=207	N=80	N=478

Note: T indicates a tie in the rankings
Source: The Conference Board

11 Charles Mitchell, Ilaria Maselli, Rebecca L. Ray, PhD, and Bart van Ark, and Denise Dahlhoff, *C-Suite Challenge™ 2020: Collaborating to Compete*, The Conference Board, March 2020.

Surmounting Obstacles: Finding Quality Talent and Overcoming Internal Resource Constraints Amid Pandemic Disruptions

While disruptions caused by COVID-19 remain a major obstacle for CEOs globally, in most regions talent shortages and resource constraints are big hills to climb. For US CEOs, legacy technologies and siloed international structures are hampering digital transformation efforts

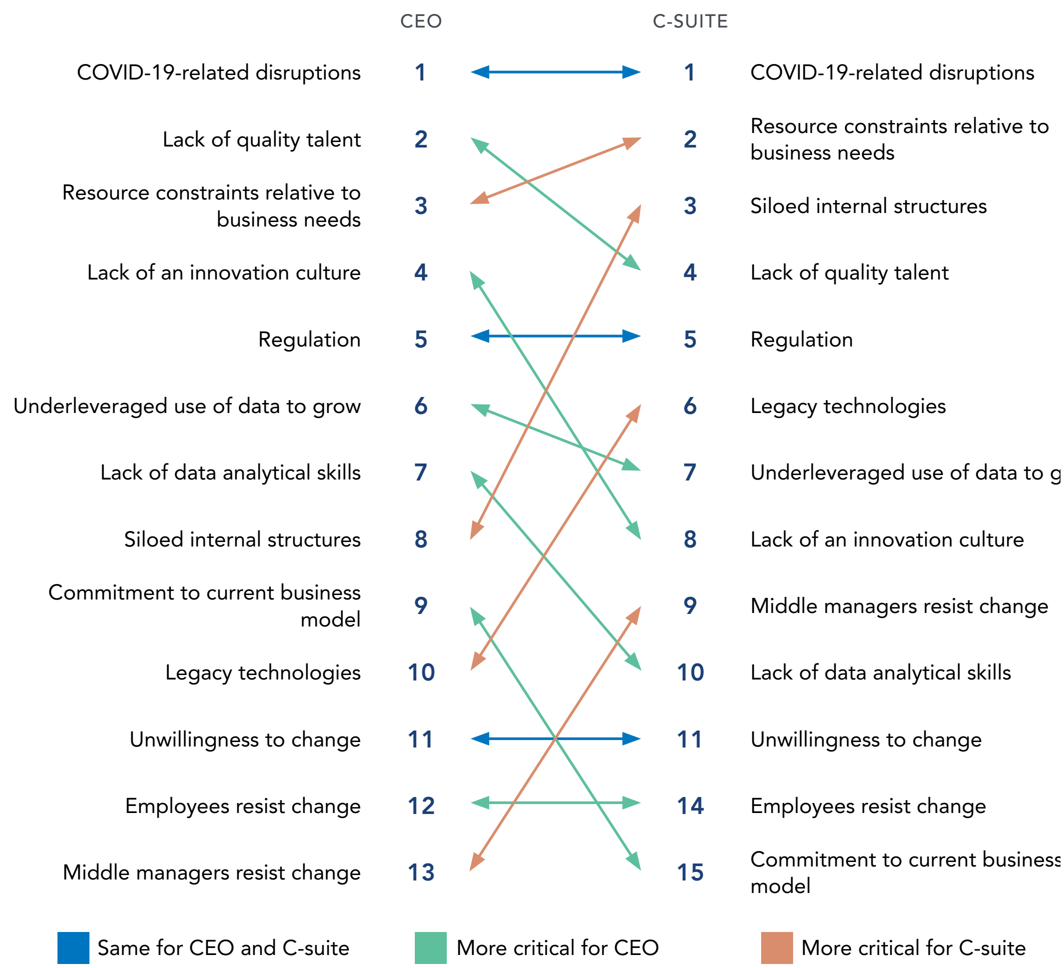
What are the most critical obstacles your company faces in meeting your challenges in the coming year?

	Global CEO	US CEO	China CEO	Japan CEO	Germany CEO	EU (ex-Germany) CEO	Gulf Region (GCC)	Global C-Suite (non-CEO)
COVID-19-related disruptions	1	1	2	2	1	1	1	1
Lack of quality talent	2	9	1	1	3	5	T-15	4
Resource constraints relative to business needs	3	2	T-3	T-11	T-8	3	T-15	2
Lack of an innovation culture	4	T-7	T-5	T-3	6	8	4	8
Regulation	5	5	T-19	T-19	2	7	2	5
Underleveraged use of data to grow	6	6	8	T-5	T-8	6	6	7
Lack of data analytical skills	7	T-7	7	7	T-14	9	3	10
Siloed internal structures	8	4	T-13	T-16	T-10	2	T-7	3
Commitment to current business model	9	T-12	T-5	T-3	19	11	14	15
Legacy technologies	10	3	T-13	15	13	16	10	6
Unwillingness to change	11	11	T-13	T-5	5	13	19	11
Employees resist change	12	T-14	T-19	14	4	12	T-7	14
Middle managers resist change	13	T-14	10	T-16	7	4	5	9
HR not strategically focused	14	T-22	T-3	T-19	T-14	14	T-17	16
Lack of strategic vision	15	T-19	T-11	9	T-10	20	11	20
Resource allocation favoring short-term	16	10	23	22	22	10	9	17
Lack of organizational alignment	17	T-17	T-17	10	T-10	15	T-22	13
Low levels of employee engagement	18	T-19	9	18	18	22	T-17	18
Lack of diversity	19	T-12	T-17	T-11	T-20	17	T-20	12
Inability to measure performance outcomes	20	16	T-19	13	23	19	12	21
Weak internal communication	21	24	T-13	8	T-16	21	T-20	19
Misaligned compensation structure	22	T-19	T-19	21	T-20	18	13	23
Insular culture	23	T-17	T-11	T-23	T-16	23	T-22	22
Other	24	T-22	24	T-23	24	24	T-22	24
	N=891	N=120	N=59	N=114	N=129	N=144	N=23	N=616

Notes: T indicates a tie in the rankings
Members of the Gulf Cooperation Council (GCC) include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
Source: The Conference Board

While CEOs and C-suite executives mostly align on the critical external issues affecting the business environment in the coming year, they have different views on the key internal obstacles their organizations must overcome to achieve success in 2021

What are the most critical obstacles your company faces in meeting your challenges in the coming year?



Source: The Conference Board

While CEOs and C-suite executives mostly align on the critical issues affecting the external business environment in 2021, they have different views on the key internal obstacles their organizations must overcome to achieve success. This divergence may require a closer look at internal alignment and clear identification of problem areas to ensure that resources will have the maximum impact on business outcomes. CEOs and the C-suite agree on what the most impactful external factors outside of management control will be on the overall business environment in 2021. They are also largely aligned on which internal areas of focus will be needed to meet those challenges. However, CEOs and C-suite executives disagree on what the biggest internal obstacles are to meeting those challenges in 2021. While CEOs and C-suite executives agree that COVID-19 disruptions, lack of quality talent, and resource constraints are among the most critical obstacles to overcome, C-suite executives are more concerned than CEOs about siloed organizational structures and legacy technologies, both of which are potential blockers of digital transformation. With CEOs committed to driving change within their organizations to thrive in a postpandemic world, overcoming the "frozen middle," (middle managers who resist change and are often more concerned about (and rewarded for) preserving the status quo) is seen as a larger obstacle to organizational success by C-suite executives than CEOs. Among the areas where CEOs and C-suite responses differ, CEOs are more concerned about talent/skills and culture than the C-suite, which is more concerned about internal structures and legacy technology.

The differences between the CEO and C-suite views of obstacles to be overcome are most pronounced in the manufacturing and financial services sectors

What are the most critical obstacles your company faces in meeting your challenges in the coming year?

	CEO Mfrg	C-Suite Mfrg
COVID-19-related disruptions	1	1
Lack of quality talent	2	3
Underleveraged use of data to grow	3	10
Lack of an innovation culture	4	12
Lack of data analytical skills	5	7
Regulation	6	16
Resource constraints relative to business needs	7	5
Middle managers resist change	8	6
Employees resist change	9	13
HR not strategically focused	10	8
Siloed internal structures	11	4
Lack of organizational alignment	12	11
Unwillingness to change	13	2
Weak internal communication	14	17
Legacy technologies	15	14
Commitment to current business model	16	9
Inability to measure performance outcomes	17	21
Lack of strategic vision	18	20
Resource allocation favoring short-term	19	15
Low levels of employee engagement	20	22
Lack of diversity	21	19
Insular culture	22	18
Misaligned compensation structure	23	23
	N=207	N=152

	CEO Financial	C-Suite Financial
COVID-19-related disruptions	1	1
Regulation	2	4
Legacy technologies	3	3
Lack of an innovation culture	4	6
Siloed internal structures	5	2
Lack of data analytical skills	6	9
Lack of quality talent	7	8
Underleveraged use of data to grow	8	18
Resource constraints relative to business needs	9	5
Employees resist change	10	23
Unwillingness to change	11	13
Resource allocation favoring short term	12	7
Commitment to current business model	13	10
Middle managers resist change	14	12
Lack of organizational alignment	15	14
Misaligned compensation structure	16	22
Insular culture	17	16
Lack of diversity	18	15
HR not strategically focused	19	21
Weak internal communication	20	19
Inability to measure performance outcomes	21	11
Low levels of employee engagement	22	20
Lack of strategic vision	23	17
	N=80	N=66

Source: The Conference Board

While in an aggregate analysis it might be expected to find a diverse range of views between CEOs and C-suite executives because of unique challenges faced by each industry sector, the disagreements persist within industry groups and are most pronounced in the manufacturing and financial services sectors.

Human Capital Management

Despite economic doldrums, CEOs remain focused on the recruitment and retention of top talent as well as the development of next-generation leaders. The focus on three core basics of talent management—recruitment, and retention, and development—is an indication that human capital, once narrowly defined as the labor input in an

Regardless of a company's location, size, or industry sector, finding and keeping talent is the top internal stressor for CEOs; US CEOs are more focused on bringing people back to the physical workplace than their global peers, while CEOs in Japan and the Gulf region are looking to redesign their total rewards programs

Select the issues for human capital management that your company will focus on in the coming year.

	Global CEO	US CEO	China CEO	Japan CEO	Germany CEO	EU (ex-Germany) CEO	Gulf Region (GCC)	Global C-Suite (non-CEO)
Recruit, retain top talent	1	1	1	1	1	1	1	1
Develop "Next Gen" leaders	2	2	2	2	2	3	T-5	3
Build agile teams	3	T-7	T-4	5	5	2	3	2
Adopt flexible work policies	4	T-7	3	T-8	7	4	T-5	4
Coaching to enhance employee performance	5	9	7	6	6	5	8	8
Increase virtual work capability	6	12	8	T-16	4	8	9	12
Recruit a more diverse workforce	7	4	T-10	4	T-10	14	17	6
Build a more inclusive culture	8	5	T-4	10	T-18	10	16	5
Bringing workers back to the physical workplace	9	3	T-16	T-19	T-10	9	T-14	7
Increase online training	10	13	9	13	8	6	4	15
Create a physically safe workplace	11	11	18	11	12	7	11	13
Address mental health needs of employees	12	6	T-12	12	9	15	13	10
Redesign Total Rewards structure	13	T-14	T-4	3	17	13	2	14
Increase engagement levels among remote workers	14	10	T-10	T-8	T-18	11	17	9
Create a psychologically safe workplace	15	T-14	T-14	7	14	12	T-14	16
Increase engagement levels among onsite workers	16	T-18	T-16	T-14	3	16	12	11
Increase the number of remote workers	17	17	T-14	T-14	13	19	7	17
Increase use of contingent, temporary labor	18	20	T-12	T-16	15	20	10	19
Ensure equal pay for equal work	19	T-14	19	T-19	16	17	T-19	18
Other	20	21	T-20	T-16	T-18	21	T-19	20
Decrease the number of remote workers	21	T-18	T-20	21	21	18	T-19	21
	N=909	N=123	N=59	N=118	N=132	N=149	N=23	N=629

Notes: T indicates a tie in the rankings
Members of the Gulf Cooperation Council (GCC) include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
Source: The Conference Board

organization's business model and categorized as an expense, is being recognized as the engine of the enterprise, CEO responses show they recognize human capital as a valuable intangible asset with workers a critical stakeholder essential for future growth.[12]

The COVID-19 pandemic has accelerated many companies' moves toward a remote and digital working environment. Besides a primary focus on the basics of talent management—recruitment and retention, leadership development—in 2021 CEOs are seeking to support their reconfigured workforces by building agile project teams, more flexible work policies, improving virtual work capabilities, and providing more coaching to better equip employees to adapt to change, manage stress and pressure, and maintain productivity through uncertainty. Also, a focus for the coming year: building a more inclusive culture. As organizations strive to create a seamless ecosystem of home office, headquarters, and satellite offices where everyone feels included, they are focusing particularly on how to recreate virtually the kinds of bonds and feelings of inclusion that typically take place in the office.[13]

The Dynamics of the post-Covid workplace

We are in a brave new world when it comes to human capital because of four factors: remote work arrangements, technology, transparency, and governance.

- Talented workers have always had more options than most and now organizations compete for that talent without the limitations of geographic boundaries.
- Workers and leaders are using technology in new and different ways; for leaders, it means new ways to lead, to show empathy, to preserve the culture, to monitor productivity and to ensure the delivery of business results. During the first year of the pandemic, leaders could ride the coattails of goodwill among existing employees if they had been solid leaders for those intact teams that were largely physically together. In 2021, a hybrid model with a mix of onsite and remote workers will likely be the new norm. In this environment, as new employees join teams and departments and have little personal contact with existing team members, leaders will now need to ensure that all have a sense of belonging and that no group is more valued, supported, or developed than another. Organizations should consider one critical question: Is the culture you had and, perhaps, want to preserve the right culture for your organization in this new environment?
- Employees want to work for an organization that aligns with their values; they seek transparency and authentic leaders. Employees are quick to point out disparities internally (think employee walk-outs in Silicon Valley) and on social media. A damaged brand makes recruiting top talent that much more difficult.
- Organizations will be pressured (if not required) to disclose to a variety of stakeholders (including regulatory agencies, investor groups, suppliers, and workers) successes and failures in advancing the careers of women and people of color,

12 Paul Washington, Rebecca L. Ray, PhD, Solange Charas, PhD, and Amy Lui Abel, PhD, *Brave New World: Creating Long-term Value through Human Capital Management and Disclosure*, The Conference Board, December 2020.

13 Melissa Fisher, PhD, and Amy Ye, *A Human-centric Approach and Inclusive Approach to Work Wherever it Happens*, The Conference Board, December 2020.

the diversity of leadership, pay equity, and a host of other metrics material to the business. Most corporate boards are not currently focused on the issue of human capital management (HCM); the transparent disclosure of previously internal-only data will cause boards to think much more deeply about not only the data, but also the narrative that shapes public perception and enhances or damages the brand. While it is up to each board to determine how deeply it wants to engage on HCM, boards should ensure that management has assessed the company's human capital capabilities, developed a human capital strategy, set goals, and developed systems to track and report progress. Just as companies consider external trends in developing their business strategies, they should incorporate workforce trends into their HCM strategies.[14]

Coaching Leaders into the Future with Empathy and Emotional Intelligence

CEOs see coaching to enhance employee performance as a main focus of their human capital management strategies for the coming year. For organizations to be successful in the post COVID-19 world, leaders need to know how to communicate with and lead their teams while demonstrating empathy, compassion, and self-awareness. A major challenge for leaders is translating empathy and compassion into a virtual world where interactions are limited to structured meetings over various video platforms. Coaching can help leaders quickly develop and enhance social-emotional skills by offering targeted, personalized, and focused development in these areas. Leaders will need to tap into their empathy to build a holistic picture of their employees to support engagement and productivity issues that may arise. Coaches can rethink how to create opportunities for leaders to demonstrate their empathy and strengthen relationships with their employees by tuning into employee's current needs in these turbulent times. To convey true empathy, leaders need to consistently acknowledge in their internal and external communications the personal and business stresses faced by their employees.

Source: Amy Lui Abel, PhD and Vivian Jaworsky, *Reset & Recovery COVID-19: Coaching Leaders into the Future with Empathy and Emotional Intelligence*, The Conference Board, forthcoming, January 2021

A year into the pandemic, remote work may have reached an equilibrium, with few CEOs planning to make significant changes to the current number of remote workers as part of their human capital management focus in the coming year. Work has been decoupled from location and the pandemic is forcing rapid change in how work gets done, how leaders lead, and how organizations are structured. Across the globe, talent can work anytime and anywhere, and physical space is no longer a constraint. Increasing the number of remote workers ranks 17th out of 21 human capital focus options for 2021, while decreasing the number of remote workers is dead last. Compared to their global peers, US CEOs appear to be more committed to bringing workers back into the physical workplace (they rank this option third, while

14 Amanda Popiela, Robin Erickson, PhD, and Rebecca L. Ray, PhD, *Even Higher Expectations in a Post-2020 World: How Organizations Engage with Social Change*, The Conference Board, December 2020.

globally it ranks ninth) in the coming year, which is an apparent commitment to a hybrid model for future work. (Google, for example, will expect employees to work at least three days a week in the office and two days remotely when their offices reopen). COVID-19 has spurred employees' unprecedented demand for workplace flexibility in the long term, urging employers to rethink how to design and deploy flexible work arrangements that can better serve employees' evolving work-life needs—a message the business leaders appear to understand, and are prepared to make a focus in the coming year. This includes an emphasis on addressing the mental health needs of employees.

While CEOs recognize that remote work will require different compensation and benefits in the long-term, few organizations, especially in advanced economies, are targeting a revamp of their total rewards (TR) programs as an immediate priority for the coming year. Additionally, few see a misaligned compensation structure as an obstacle to be overcome in the near term. In the long term, our survey respondents agree that new business models and ways of working will prompt organizations to rethink how they should measure and reward performance. Research by The Conference Board finds that one of the silver linings of COVID-19 is that it provides organizations with a rare opportunity to reevaluate and reset TR strategies, identify areas for improvement, and enhance TR programs that include a whole-person approach to employee wellbeing.[15] Organizations should consider aligning rewards with employee preferences (research shows that organizations offering personalized rewards programs demonstrated positive business results) and make greater use of nonmonetary incentives to continue motivating and rewarding employees.

COVID-19 is also prompting organizations to reevaluate their approach to compensation management in the postpandemic era when more employees are allowed to work from home permanently. While some will argue that they can pay less for talent living in a less expensive region, highly sought after talent will always command a premium. For example, Facebook is expecting nearly half of its workforce to work remotely in the next five to 10 years and will significantly increase remote hires. However, the company's announcement that employees relocating to locations with cheaper costs of living will receive lower paychecks than their peers in the same roles working from headquarters has generated discussions on whether it is appropriate to adjust compensation solely based on cost of living.

Organizations need to evaluate their talent attraction and retention strategy and overall compensation strategy when designing pay policies for remote workers. For example, providing equal pay to project team members with the same responsibilities, regardless of where they live, promotes everyone to make equal contribution to the project. Differently, if a company based in a less expensive area aims to attract critical talent who mostly reside in larger cities with higher costs of living, it might make more sense to compensate the new hires based on where they live rather than where the company headquarters is located.

The Right Stuff: CEOs are seeking innovative thinkers with the ability to execute to lead the post-COVID recovery. Perceptions of critical leadership skills have shifted since

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15 Amy Ye and Steve Hong, *COVID-19 Reset & Recovery: Leveraging Total Rewards Strategies to Improve Employee Well-Being and Navigate Business Changes*, The Conference Board, July 2020.

the pandemic began. When CEOs were asked to rank critical leadership skills to drive enterprise-wide transformation in our 2018 C-Suite Challenge report, being a driver of innovation was ranked eighth globally; its rise to first in this year's rankings of critical skills necessary to lead change is a reflection of the need of organizations to pivot to new business models, new distribution channels, new/adapted/enhanced products and services as well as new ways of working. In order to lead change, CEOs this year told us that self-awareness and empathy, ranked 17th and eighth respectively, were less critical than execution. In the 2018 C-Suite Challenge, emotional intelligence (a combination of both self-awareness and other centeredness/empathy) was ranked fourth; a leader's ability to be both inspiring and engaging was ranked third. In contrast, inspirational leadership dropped to sixth in 2020; the ability to execute rose to second. Team leadership was ranked third this year, but the very skills necessary for success as a team leader are ranked low. If the shift from leadership skills, such as empathy, inspiration and engagement, to execution and innovation, continues, the challenge for leaders will be to drive the execution of the new and the better while maintaining employee morale. Leaders will still need to retain, motivate, engage, and inspire a weary post-COVID-19 workforce trying to stay technologically and culturally connected that longs to work for a leader who cares about them as people.

CEOs are seeking innovative thinkers with the ability to execute to lead the post-COVID recovery

Which skills and characteristics are most important today for your top leaders to lead change in the coming years?

Leadership skills and characteristics	
Innovative thinking	**1**
Ability to execute	**2**
Team leadership	**3**
Building trust and integrity	**4**
Critical thinking skills	**5**
Inspirational leadership	**6**
Global and cultural acumen	**7**
Empathy	**8**
Interpersonal effectiveness	**9**
Trustworthiness	**10**
Technology savvy	**11**
Business/Management skills	**12**
Reinforcing the organization's vision	**13**
Initiative	**14**
Stakeholder management skills	**15**
Project management	**16**
Self-awareness	**17**
Quantitative skills	**18**
Peer relations	**19**
Personal brand development	**20**
CEOs, globally	N=839

Source: The Conference Board

COVID-19 Recovery: The Long-Term Legacies

CEOs see a reduction in business travel, the automation of tasks—a clear outgrowth of their priority to digitally transform organizations—large firms having better access to capital markets than smaller firms, more resilient supply chains, and an increased focus on climate change among the most likely long-term legacies of COVID-19. To plot an effective long-term strategy, business leaders need to identify the key longer term trends most important for their business and consider scenario planning to test their agility and resiliency for the long haul.

Please rate the likelihood of the following outcomes becoming a more permanent (beyond 3 years or more) part of a changed economic, business, or societal environment in a post-COVID-19 pandemic world

Percent of respondents rating outcome as likely/highly likely.

Potential Long-Term Outcomes	Global CEO	US CEO	China CEO	Japan CEO	Germany CEO	EU (ex-Germany) CEO	Gulf Region (GCC)	Global C-Suite (non-CEO)
Reduced business travel	**74%**	**78%**	**58%**	**76%**	**77%**	**81%**	**69%**	**79%**
More tasks automated	**70%**	**75%**	**56%**	**80%**	**58%**	**78%**	**84%**	**70%**
Large firms will have better access to capital markets than smaller firms	**70%**	**73%**	**68%**	**49%**	**70%**	**51%**	**62%**	**61%**
More resilient supply chains (e.g., integrated, closer to home markets)	**69%**	**73%**	**65%**	**66%**	**61%**	**64%**	**72%**	**70%**
Climate change focus will increase	**67%**	**71%**	**40%**	**74%**	**78%**	**78%**	**52%**	**69%**
Smaller office/workspace; reduce physical footprint	**67%**	**79%**	**40%**	**70%**	**52%**	**75%**	**75%**	**72%**
Remote work requires different compensation and benefits	**59%**	**61%**	**54%**	**68%**	**41%**	**52%**	**67%**	**53%**
Health-care systems better prepare for potential future pandemics	**58%**	**57%**	**54%**	**67%**	**46%**	**53%**	**47%**	**56%**
Businesses increasingly expected to address social goals	**55%**	**62%**	**28%**	**68%**	**46%**	**72%**	**54%**	**64%**
More efficient supply chains (e.g., longer, distributed)	**52%**	**44%**	**57%**	**64%**	**38%**	**39%**	**60%**	**46%**
Boards play greater role in shaping corporate citizenship	**43%**	**42%**	**48%**	**37%**	**29%**	**49%**	**44%**	**46%**
Globalization will increase	**36%**	**35%**	**34%**	**39%**	**37%**	**25%**	**49%**	**32%**
Smaller permanent workforce	**34%**	**31%**	**37%**	**25%**	**26%**	**29%**	**65%**	**32%**
Fewer consumer choices because of industry consolidation	**32%**	**30%**	**33%**	**23%**	**42%**	**18%**	**49%**	**27%**
Trust in democratic institutions will diminish	**30%**	**23%**	**39%**	**28%**	**32%**	**33%**	**28%**	**31%**
Trust in capitalism and markets will diminish	**26%**	**20%**	**32%**	**26%**	**31%**	**28%**	**33%**	**25%**
Globalization will decrease	**24%**	**18%**	**36%**	**28%**	**20%**	**25%**	**20%**	**26%**

Members of the Gulf Cooperation Council (GCC) include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates
Source: The Conference Board

Compared to issues such as the pandemic and recession risk, CEOs do not see social justice concerns and climate change as having an immediate impact on their business environment in the year ahead. However, the majority (67 percent) do see a growing focus on climate change mitigation and the need to address social issues in the public arena (55 percent) as likely long-term legacies of the COVID-19 pandemic. Even before the onset of the pandemic, silence on, or lack of a response to, social change issues, was becoming less of an option for many organizations. A 2020 survey by The Conference Board found that 99 percent of respondents stating that organizations should respond at least "sometimes" to social change issues.[16] Employee expectations that organizations respond to such issues is not a geographic, gender, or generation-related phenomenon. Some 82 percent of the largest firms in our sample ($5 billion and above in revenue) cite this as a most likely long-term outcome of COVID-19 compared to 52 percent of the smallest firms (revenue under $100 million). Despite the potential benefits, including enhanced reputation and improved employee engagement, there are challenges to addressing social issues. Organizations should consider their many stakeholders when choosing to respond to social issues. While a response to a more contentious issue may please some stakeholders, it may alienate others.

Major institutional investors are also looking for boards and management to be in the driver's seat when it comes to developing, implementing, and communicating their plans to address social issues—and will afford companies latitude in doing so. Investors expect companies to disclose more on racial diversity in the boardroom and throughout the entire organization; they expect boards to be engaged on these topics; and they will evaluate company actions through a lens of stakeholders, so boards should be particularly alert to decisions that may appear to advantage or disadvantage one stakeholder group over another. If dissatisfied, major institutional shareholders are likely to make their views known in ways that go beyond votes on shareholder proposals and play out in director elections and, for active funds, capital allocation. Companies should be prepared to break new ground in discussing issues of economic fairness. Many companies have an untold story to tell about how their business–and philanthropy–helps to broaden the circle of economic opportunity. Companies should marshal the data to tell their story of how they are making a measurable difference. If companies do not identify their own shortcomings, someone else will. Investors do not expect perfection, but they do want companies to identify gaps and disclose plans for closing them.[17]

Climate Risk: More companies are including climate risks in their legal filings or equivalent annual reporting, an emerging trend CEOs recognize, according to this year's C-Suite Challenge survey. In the UK, the number of companies doing so more than doubled compared to last year. These increases likely follow the sustained focus of mandatory and voluntary regulatory initiatives as well as other stakeholder demands. Large institutional investors, such as BlackRock, have explicitly called on companies to address climate risks in their reporting. And the EU's Taxonomy Regulation, signed into law earlier this year, requires financial institutions to make climate-related disclosures by the end of 2021. Given the regulatory and investor attention to this topic along with CEO awareness, we see this trend accelerating.[18]

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16 *Amanda Popiela, Robin Erickson, PhD, and Rebecca L. Ray, PhD, Even Higher Expectations in a Post-2020 World: How Organizations Engage with Social Change*, The Conference Board, December 2020.

17 Paul Washington and Merel Spierings, *Insights for Investors and Companies in Addressing Today's Social Issues*, The Conference Board, October 2020.

18 Thomas Singer, Anuj Saush, and Anke Schrader, *Sustainability Practices. 2020 Edition: Trends in Corporate Sustainability Reporting Amid a Pandemic*, The Conference Board, forthcoming, January 2021.

Even though concerns about global trade disruption diminished, the pandemic has exposed vulnerabilities in supply chains and CEOs believe the need to address global supply chain resilience will be one of the more important and most likely long-term legacies of COVID-19. Even prior to the pandemic, research by The Conference Board showed manufacturers were shifting away from foreign suppliers of inputs toward more local ones. Data confirm the trend is a clear departure from the heydays of outsourcing: the share of local value added is now increasing in advanced economies.

During the pandemic, many companies learned that a heavily optimized supply chain often lacked the agility to substitute alternate sources of supply. CEOs believe supply chains will be reexamined—both the physical movement of goods and materials and also the digital systems managing these flows. More agility must be built in, and human insight must be introduced into systems that are today fully automated. The many global supply chain vulnerabilities exposed by the COVID-19 crisis will likely force companies to reexamine their reliance on China's manufacturing sector leading to a possible decoupling from China as a commercial imperative for a wide swath of firms across numerous industries. However, given that most multinational goods producers have material interest in the China market, this decoupling does not mean exiting China as a production base. Instead, for most, it will mean building supply chain redundancy outside of China.[19]

Large firms having greater access to capital markets relative to smaller firms signals challenges as well as opportunities for the business community.

Size matters, especially during the COVID-19 crisis. A total of 70 percent of CEOs globally see larger firms having an advantage in capital markets compared to smaller firms as a likely long-term outcome of the pandemic. All things equal, large companies have higher chances of surviving the hardships of the pandemic because of easier access to capital markets. Capital markets create a double advantage for large companies which, on the one hand, can tap into the market for cash or investment plans and on the other can benefit from the boost of central banks asset purchase programs. As the leverage of interest rates decreased, central banks resumed debt purchases to support the economy. This included not only government debt, but also debt issued by private companies. With neither access to capital nor monetary policy tools, small companies will need to rely on banks or personal resources to survive. Because small businesses are often the largest employer block in any country, the viability of small businesses becomes critically important.

Limited access to capital markets for small firms suggests greater scope for merger and acquisitions activity. On the one hand, this is beneficial for increasing efficiency and the potential for new investments, especially by private equity and venture capital firms. Also, the closing of small and less productive firms might create space for stronger and more productive firms. On the other hand, consolidation of small businesses could have negative effects on innovation if M&A activity is used to squelch competition. Also, M&A can result in job losses as redundant positions are eliminated and has the potential to reduce competition and innovation through consolidation.

19 David Hoffman, *Market Bifurcation and Supply Chain Decoupling Will Accelerate in the Wake of COVID-19*, The Conference Board China Center, May 2020.

Reduced access to credit for smaller firms could also have unequal impacts on demographic groups. Globally, small firms are often owned by women, immigrants, and minority groups. In the US, Federal Reserve research reveals that many black-owned firms fold due to lack of access to external financing—not a lack of effort on the part of the entrepreneur. However, the narrower channels to capital markets presents opportunities for other providers of financing. Community and local banks can help bridge the gap for small firms looking for credit, when larger financial firms and investors are out of reach. Microfinance, especially in emerging markets, can prove to be powerful lifelines for small, women-owned firms. Digital finance also can play a critical role in providing access to credit to small firms that find it difficult to tap into capital markets. Indeed, in the US, the approval rates for all businesses, including minority-owned firms, are higher among online lenders relative to traditional banks.

Looking Ahead

In time, the global economy will recover from COVID-19, but it may be forever changed. The pandemic is posing a unique set of risks and opportunities for companies regardless of size, location, or industry sector. The long-term impacts on the basics of business—how and where work gets done and by whom, what customers want and how they buy it—require asking difficult questions as companies prepare for the recovery. How are organizations reinventing themselves for the digital age and how are they responding to the forced and rapid march toward digital transformation? How should they plan resource allocation and investment decisions, address skill shortages, manage key talent, and innovative business models to best thrive in a postpandemic world?

Business leaders understand the urgent need to create truly agile organizations, built on a foundation of effective change leadership, employee resilience, and an open, transparent speak-up culture. This transformation is supported by a world-class data analytics function and rests on a foundation of quality talent and effective leaders.

The strategies the world's business leaders are focusing on in the coming year, despite the challenges ahead, will create resilient, socially responsible, and high performing organizations for the future and likely lead to new investments in their people, in their organizational capital, and in new technology. 2021 C-Suite Challenge survey responses suggest business leaders are prepared to embrace the challenges and opportunities.

About This Report

The anonymous survey was carried out between November and December 2020. 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 collaboration with 14 organizations around the world that invited their members and contacts to fill in the questionnaire to improve the coverage globally.

Survey Demographics

		CEO (Count)	CEO (%)	non-CEO (Count)	non-CEO (%)
Where is your company's global headquarters located?	Australia/New Zealand	1	<1%	2	<1%
	Central America	2	<1%	1	<1%
	China	55	7%	31	5%
	Europe	249	30%	214	37%
	India	4	<1%	1	<1%
	Japan	105	13%	70	12%
	Middle East	19	2%	21	4%
	North America	272	33%	152	26%
	Rest of Asia	3	<1%	3	<1%
	South America	107	13%	76	13%
	Southeast Asia	5	1%	5	1%
	Total	**822**	**100%**	**576**	**100.0%**
Industry	Finance	80	10%	66	12%
	Manufacturing	207	27%	152	28%
	Service	478	62%	316	59%
	Total	**765**	**100%**	**534**	**100%**
Region	China	59	6%	34	5%
	Canada	155	17%	16	3%
	Germany	132	15%	79	13%
	EU excl. DEU	149	16%	134	21%
	Gulf Region	23	3%	21	3%
	Japan	118	13%	68	11%
	USA	123	14%	144	23%
	Rest of World	150	17%	133	21%
	Total	**909**	**100%**	**629**	**100%**
Revenue (Recoded)	Less than $100 million	518	63%	179	31%
	$100 million to under $5 billion	220	27%	208	36%
	$5 billion and above	83	10%	184	32%
	Total	**821**	**100%**	**571**	**100%**

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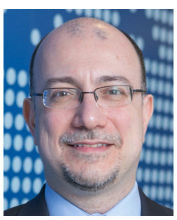

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