

ODGERS BERNDTSON

LEADERSHIP CONFIDENCE INDEX 2022

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MESSAGE FROM OUR CEO

Kester Scrope

Global Chief Executive Officer
Odgers Berndtson



Two years ago, just 24% of executives had confidence in their leaders. This crisis of confidence conveyed a clear message: the majority of leaders lacked the ability to face the world's most disruptive forces.

But two years on and the picture is very different. COVID-19 galvanized the global cohort of business leaders. Faced with a crisis the likes of which have not been experienced in recent history, many have been seen to have rallied, adapted, and ultimately succeeded in leading their organizations through turmoil.

Now, 42%* of executives have confidence in their leaders. While this is still less than half, given the extent of the pandemic and its acute impact on global economies, we believe this is very significant progress.

Organizations which have confidence in their leaders outperform those which don't,

most notably by attracting and retaining the best talent. Understanding where this confidence comes from, how it can be maintained, and how it can be lost are therefore critical to long-term success.

Technology, ESG and I&D, and preparation for the future are at the heart of this. Those leaders who genuinely understand which technologies to invest in, inspire greater confidence. Those leaders who are delivering real change on ESG and I&D promises and demonstrating a strong sense of purpose, have more engaged and subsequently more confident workforces. And those leaders who are seen to have the resilience and agility to embrace further disruption will be viewed with more confidence by those they lead.

This Index unpacks these areas and provides leaders with key insights into the current trends in leadership confidence.

“Organizations which have confidence in their leaders outperform those which don't”

*Source: Odgers Berndtson and Forrester's *Leadership Confidence Index 2022* Methodology.



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EXECUTIVE SUMMARY

It's two years since we released our first *Leadership Confidence Index (LCI)*. That report, built from an extensive global survey of executives and board members, showed that confidence in leadership was severely lacking in all but 24% of organizations.

Today, the picture is very different, and leaders are perceived to be significantly better: 42% now have confidence. This is great news, but understanding why this is the case will help provide the needed focus on what is most important for boards and CEOs, as they navigate into the future.

The most fascinating aspect of this report is that we are talking about the same leaders. Over the last two years, there has been no discovery of a new and magical way of leading. The question then is: what has changed, and how do we ensure this new-found confidence in leadership continues?

The data from this survey comes from an extensive questionnaire, completed by 1,100 executives and board members from around the world. These executives come from a broad spectrum of industry sectors and organizational scale.

Some of the survey questions were about simple facts (revenue, employees, growth percent, industry, etc). The rest were subjective questions to assess every measure of effective leadership.

Ultimately, 'confidence in leadership' is subjective, but it is right at the heart of attracting, engaging, and retaining the best talent. When companies get this right, they dominate their markets. If they get it wrong, they struggle, and the simple fact is poor leadership is the cause. This *Leadership Confidence Index 2022* shows us how boards, CEOs and other executives see their own leadership effectiveness as a team.

Four clear trends stand out when we compare the data to the survey taken two years ago.



LEADERS ARE PERFORMING BETTER THAN TWO YEARS AGO

COVID-19 brought a crisis to every leader and they had to quickly adapt to unprecedented conditions. At the two extremes, the pandemic brought opportunity for some, while others needed to focus purely on survival. Either way, the crisis meant it was no longer business as usual and leaders had to decisively realign their management teams with a new and clear purpose. We believe that leaders got to show 'what they are made of' in this crisis and that brought a new level of alignment and engagement. It's not good news for all companies though and the data clearly spells this out in the next section.



ATTITUDE TO TECHNOLOGY HAS CHANGED

Most companies accelerated technology adoption during COVID-19 because of an immediate need to avert operational crisis. Employees were naturally more accepting of change because the need for change was obvious to them. The typical resistance to change disappeared and progress was quick. This signals a significant 'mindset' change as technology becomes the enabler rather than the disruptor. The data shows how many companies have continued to grow since the start of COVID-19 and claim to be market disruptors. The flip side to this, is that most of our respondents do not believe the executive teams are equipped to make effective decisions about technology.



DIVERSITY AND SUSTAINABILITY ARE NOW CENTRE STAGE

The data shows that there is greater confidence in leaders regarding their actions and engagement with progressing the diversity and sustainability agendas in their companies. However, the real progress made is not aligned with the confidence score we got, which points to more talk than action. That confidence will tail off quickly if the promises are not met. Purpose and place in society for a company is now higher than ever in the minds of employees, who will vote with their feet if they lose the belief that their companies are doing the right thing.



THERE IS MORE DISRUPTION TO COME

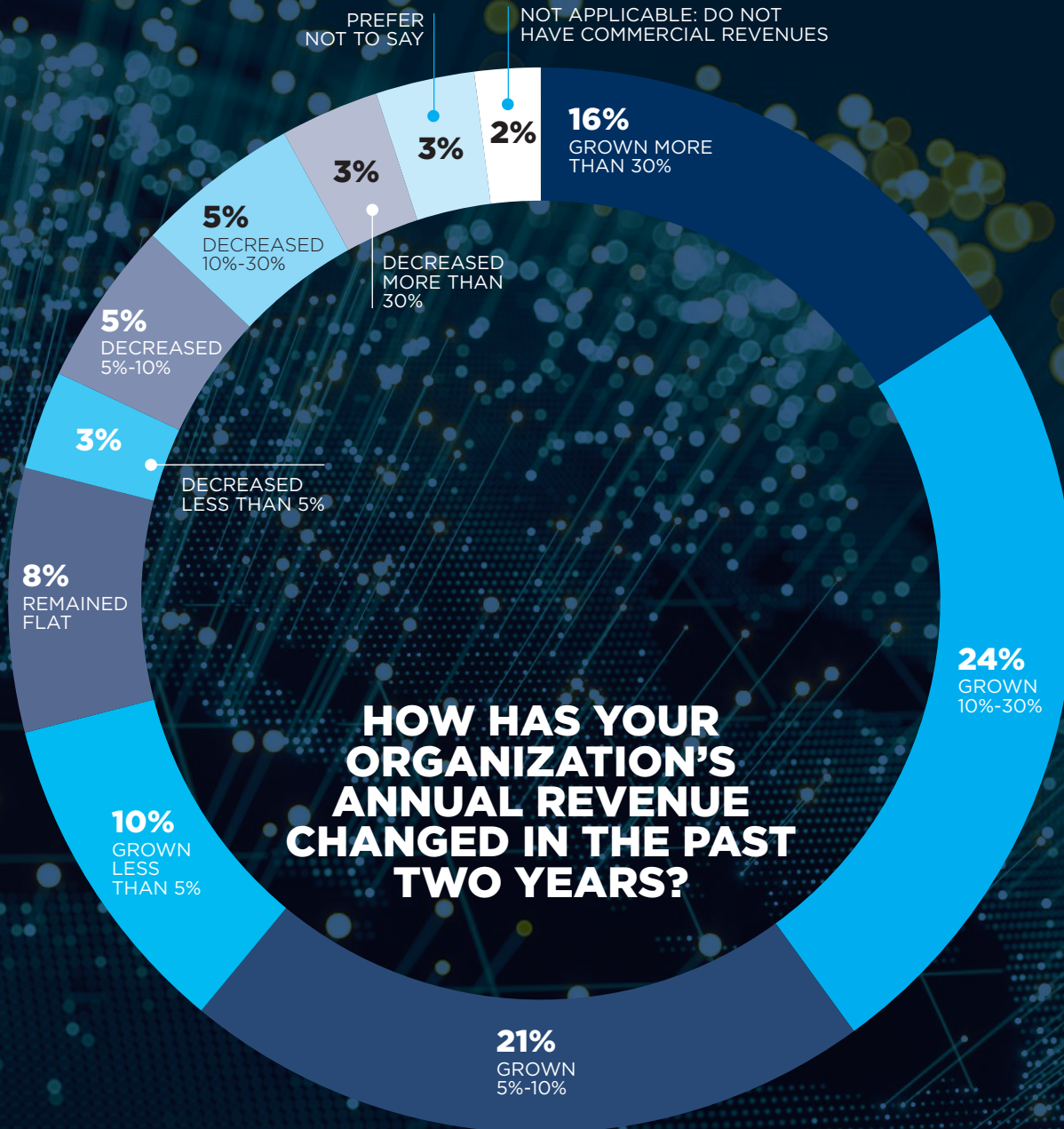
In our last survey, nobody was planning for a global pandemic and fast changing technology was seen as one of the most significant disruptors. Today, the view of what will be the future disruptors is very different. What's clear is that just about everyone expects more, rather than less disruption...but most believe we are now better equipped to handle it.



The strategy firms have written endlessly about how to take advantage of disruption as opposed to seeing only an ominous threat on the horizon. Over the last two years, every company has had no choice but to deal with the biggest and most immediate disruptor faced by this generation. The data in this report offers some clear pointers on the differences between what the thrivers are doing, and the strugglers are not.

For those in a rush, our recommendations are summarised on page 23.

THE BUSINESS ENVIRONMENT HAS CHANGED OVER THE LAST TWO YEARS



10%
LOW



HOW SIGNIFICANTLY HAS YOUR ORGANIZATION BEEN IMPACTED BY DISRUPTIVE FORCES OVER THE PAST TWO YEARS?



LEADERS ARE PERFORMING BETTER THAN TWO YEARS AGO

The big change is that, since the last survey, COVID-19 arrived virtually overnight and in adapting, a large percentage of leaders have, in the eyes of their teams, done well and inspired confidence.

The data shows 71% of respondents stated that their organizations grew revenue over the last two years, while 90% agreed that they had been impacted by disruption – and 60% seeing that disruption as ‘significant’.

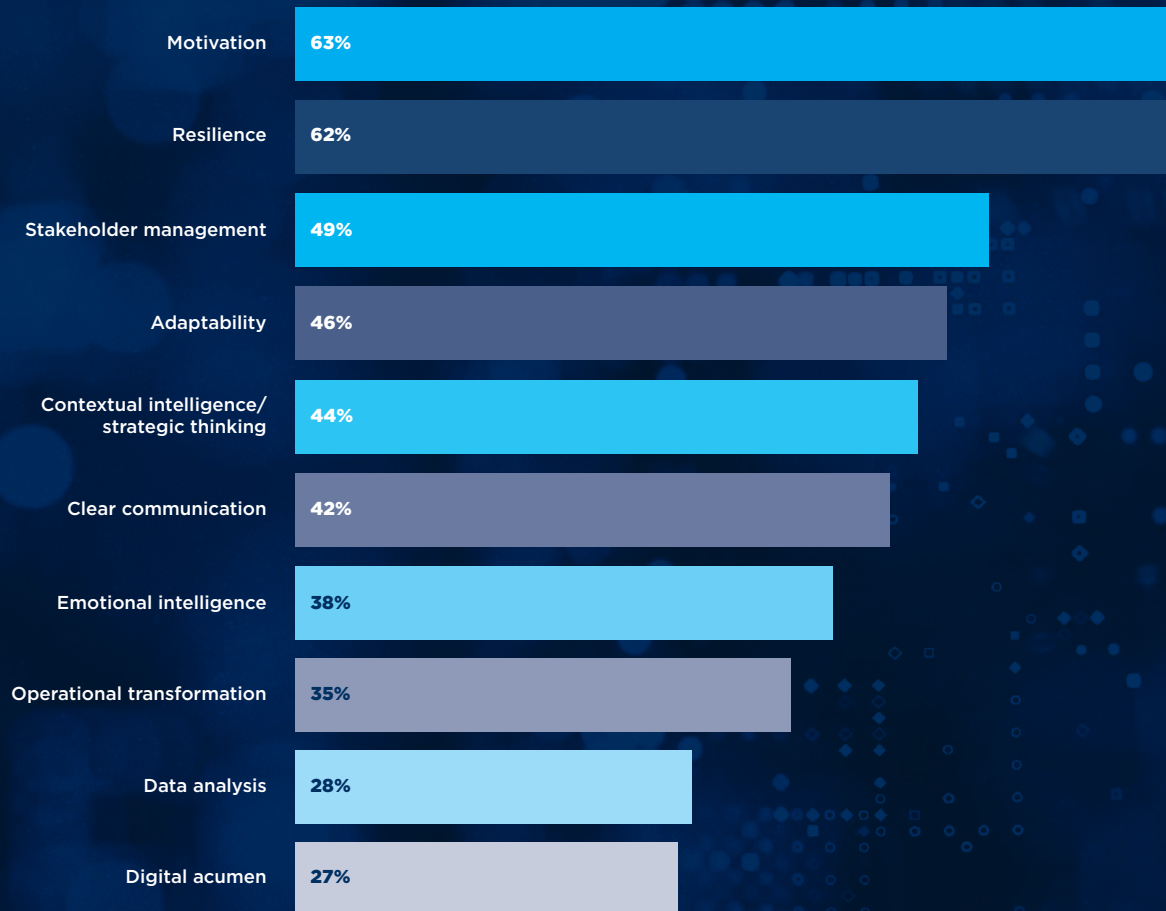
When asked about how confident they are about how their leadership team have managed over the last two years, 56% have a high level of confidence.

Are their executive leaders the right leaders to manage the next two years? 42%* feel confident that they are, while two years ago only 24% were believers.

*The 2022 methodology includes a minor variation in the question from two years ago.

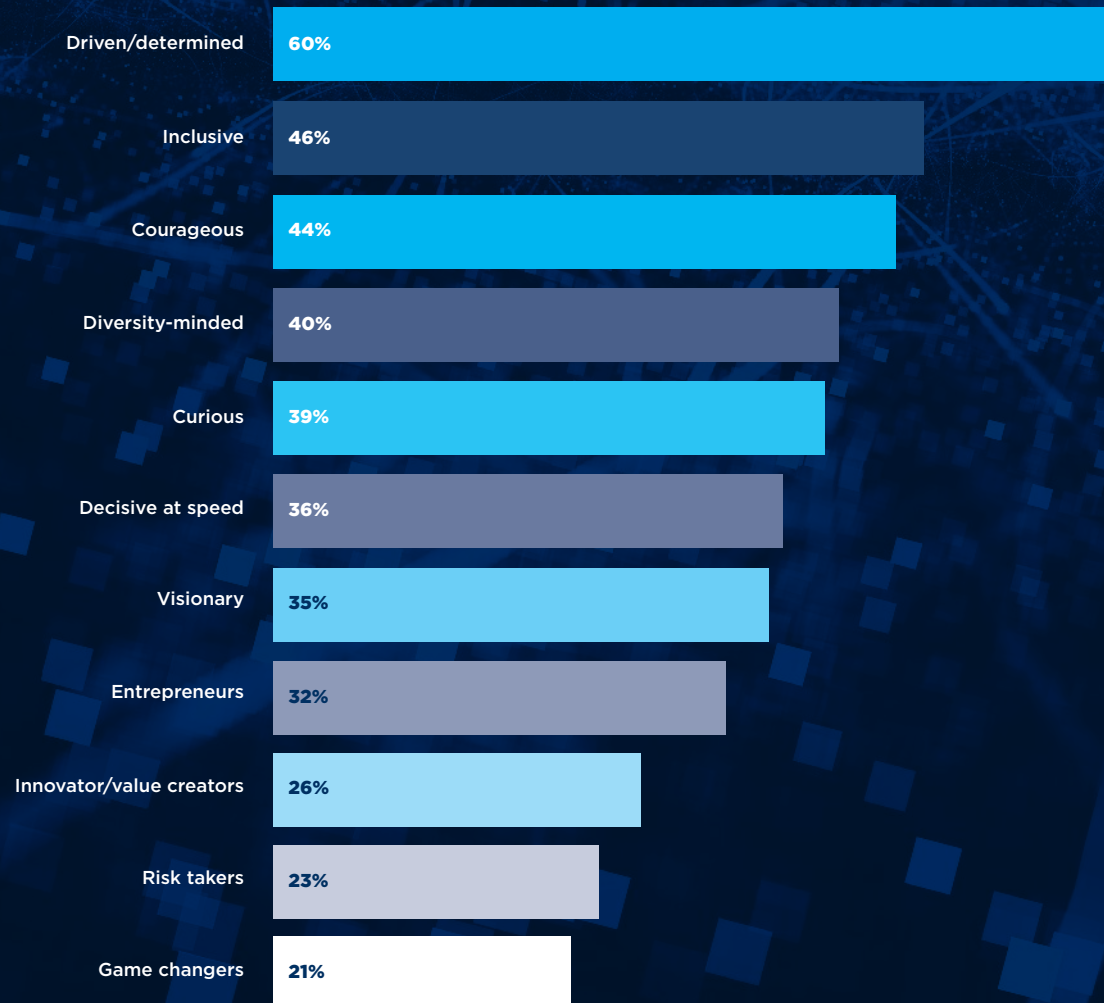
“The data shows 71% of respondents stated that their organizations grew revenue over the last two years”

ON A SCALE OF 1 TO 10, HOW CONFIDENT ARE YOU THAT SENIOR EXECUTIVES IN YOUR ORGANIZATION HAVE EACH OF THE FOLLOWING SKILLS? ANSWER FOR EACH SKILL WHETHER 'OUR SENIOR EXECUTIVES HAVE _____ SKILLS'



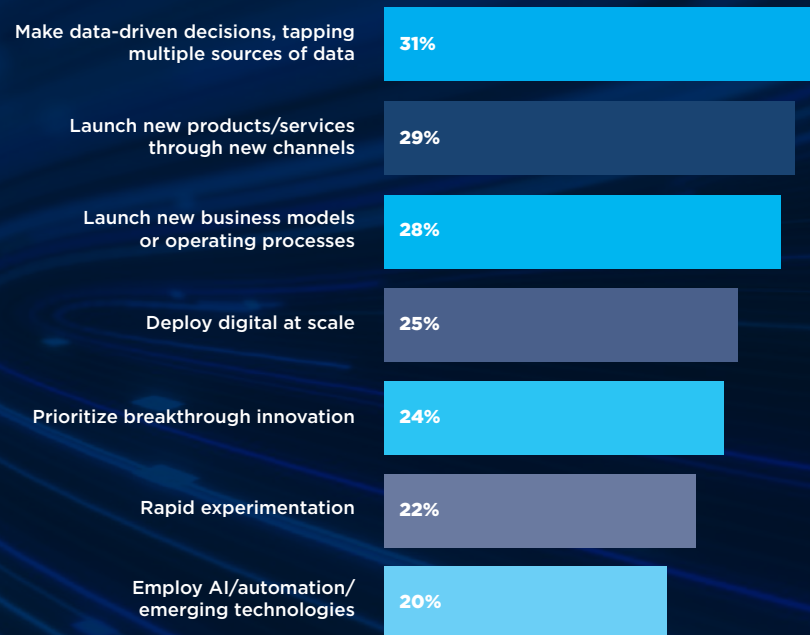
Showing 8 to 10 scores only, on a 1 to 10 scale

ON A SCALE OF 1 TO 10, HOW CONFIDENT ARE YOU THAT THE SENIOR EXECUTIVES IN YOUR ORGANIZATION EMBODY EACH OF THE FOLLOWING ATTITUDES?



Showing 8 to 10 scores only, on a 1 to 10 scale

ON A SCALE OF 1 TO 10, HOW CONFIDENT ARE YOU THAT SENIOR EXECUTIVES IN YOUR ORGANIZATION ARE ABLE TO ACCOMPLISH THE FOLLOWING?



Showing 8 to 10 scores only, on a 1 to 10 scale

THE REAL QUESTION THEN IS, WHY ARE THE SAME LEADERS INSPIRING A MUCH GREATER LEVEL OF CONFIDENCE TODAY THAN THEY DID JUST TWO YEARS AGO?

Our theory is that when there is no crisis, they are like the ship captain sailing across calm waters. Not much to admire by their teams and possibly not enough going on to excite them to 100% engagement. In rough waters, they get to show what they have got and why they are there.

Similarly, we have seen board engagement increase significantly – boards changed gear from mostly governance and review, to becoming intimately involved in rapid strategy change and support of the CEO. The urgency and focus brought on by the pandemic prioritized what was most important and removed what was not. Interestingly, our respondents ranked board involvement above the CIO in managing disruption.

It's not all good news though. 44% of respondents reported that their leadership has performed either fair or poorly over the last two years and 48% have medium confidence in their leadership's ability to manage the future, with another 11% having only low confidence. For the large middle, if they haven't earned the confidence of their peers in this pandemic, is there any reason to believe they will summon new leadership skills they didn't already draw on to face whatever comes next?



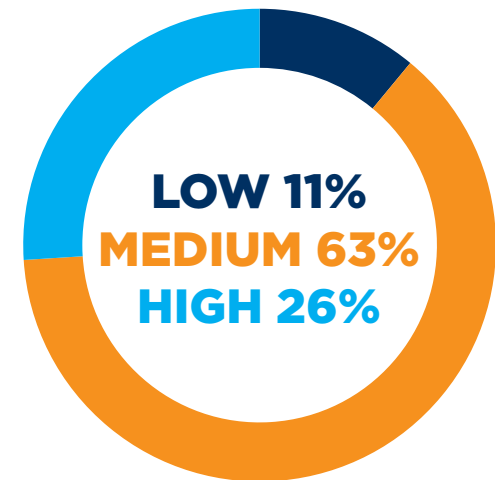
ATTITUDE TO TECHNOLOGY HAS CHANGED

Most companies have accelerated technology adoption over the last two years because of an immediate need to avert operational crisis.

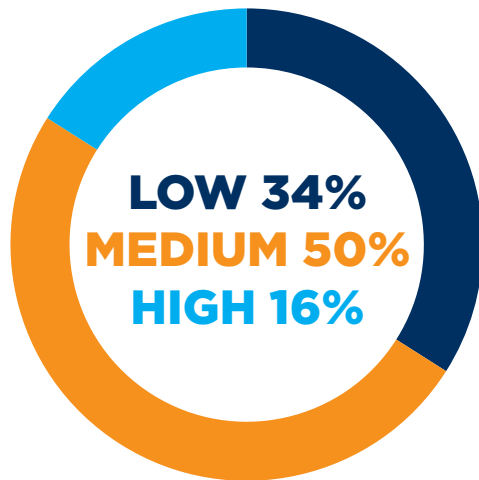
One CEO told us: “We advanced our technology platform by five years in just three months. We had no choice, and we could not have done this without a crisis”.

Two years ago, 62% of executives saw advances in technology as a disruptor. Today, that number has reduced to 44%.

HOW CONFIDENT ARE YOU THAT SENIOR EXECUTIVES IN YOUR ORGANIZATION CAN PRIORITISE WHICH TECHNOLOGY DECISIONS AND INVESTMENTS NEED TO BE MADE TO MANAGE DISRUPTIVE FORCES?



HOW SIGNIFICANTLY HAS YOUR ORGANIZATION DISRUPTED ITS INDUSTRY OR OTHER INDUSTRIES OVER THE PAST TWO YEARS?



There is a clear mindset change in relation to technology.

Working from home during lockdowns forced people at every level to learn new ways of working and now there seems to be a different attitude towards technology. Employees and leaders have embraced agility with changing work environments, reacting more efficiently and effectively for business continuity, no matter the disruption. Businesses now have a stronger focus on innovation and productivity through new technology, wanting to be 'future-ready'.

The data shows how many of the surveyed companies have continued to grow since the start of the pandemic and at the same time, claim to be market disruptors.

While most agree that the attitude to technology has shifted, the confidence in the ability of the leadership teams to making the right technology decisions and investments shows a clear gap between what is needed and where most leadership teams stand now. Only 26% of respondents have a high level of confidence for this.

“Businesses now have a stronger focus on innovation and productivity through new technology, wanting to be ‘future-ready’”

Forrester forecasts that IT technology spend in 2022 will rise by 7% in the U.S. and 5% in Europe.* Both of these represent significant rebound growth over the tech investments made in 2021. The lower spend of 2021 was shaped by careful and focused spending on technology solutions to address the needs of the pandemic but was still infused with investment in future technologies that promised to deliver higher productivity and business growth.

New project spending dipped in 2020 but has rebounded to a place where Forrester sees a clear demonstration that tech executives are eager to seize the technology moment coming out of the pandemic.

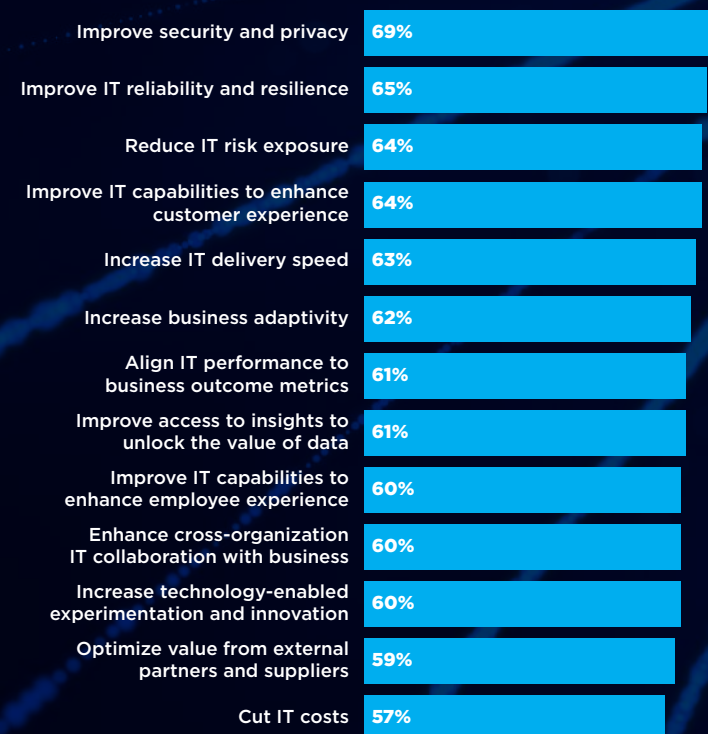
The mix of functional and aspirational technology investment is clear when Forrester asked almost 4,000 IT and business executives in eight countries what they would prioritise in their IT technology strategy in 2022 (see right).

First, it's clear that leaders have a hard time prioritising since a wide array of priorities all come in as high or critical priorities for between 57% and 69% of respondents. But across the array we see priorities ranging from focused technology improvements like security and resilience – clearly driven by pandemic lessons learned – but extending into innovative priorities designed to improve the customer experience and align IT to business outcomes.

Overall, the new confidence that technology matters more than ever will need to translate into spend on new projects and new technologies or executives' weakening confidence in technology leadership will have been well founded.

*Source: Global Tech Market Outlook For 2022 to 2023, Forrester Research, Inc., 24 February 2022.

WHAT PRIORITY WILL EACH OF THE FOLLOWING IT OBJECTIVES BE FOR YOUR ORGANIZATION OVER THE NEXT 12 MONTHS?



Source: Forrester's Priorities Survey, 2022.

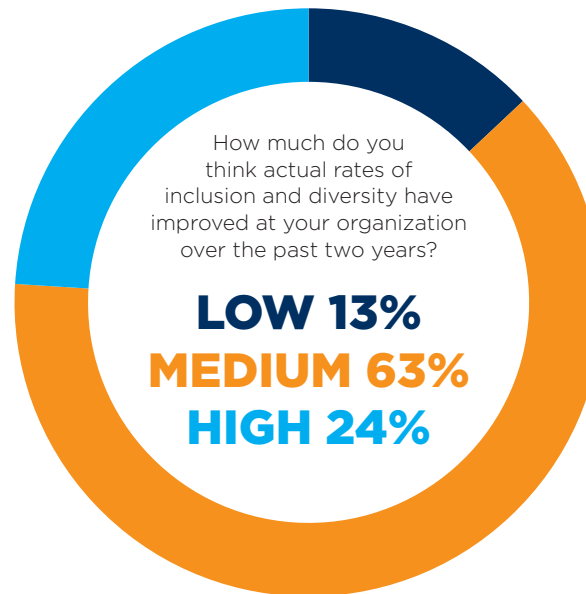


DIVERSITY, INCLUSION AND SUSTAINABILITY ARE NOW CENTER STAGE

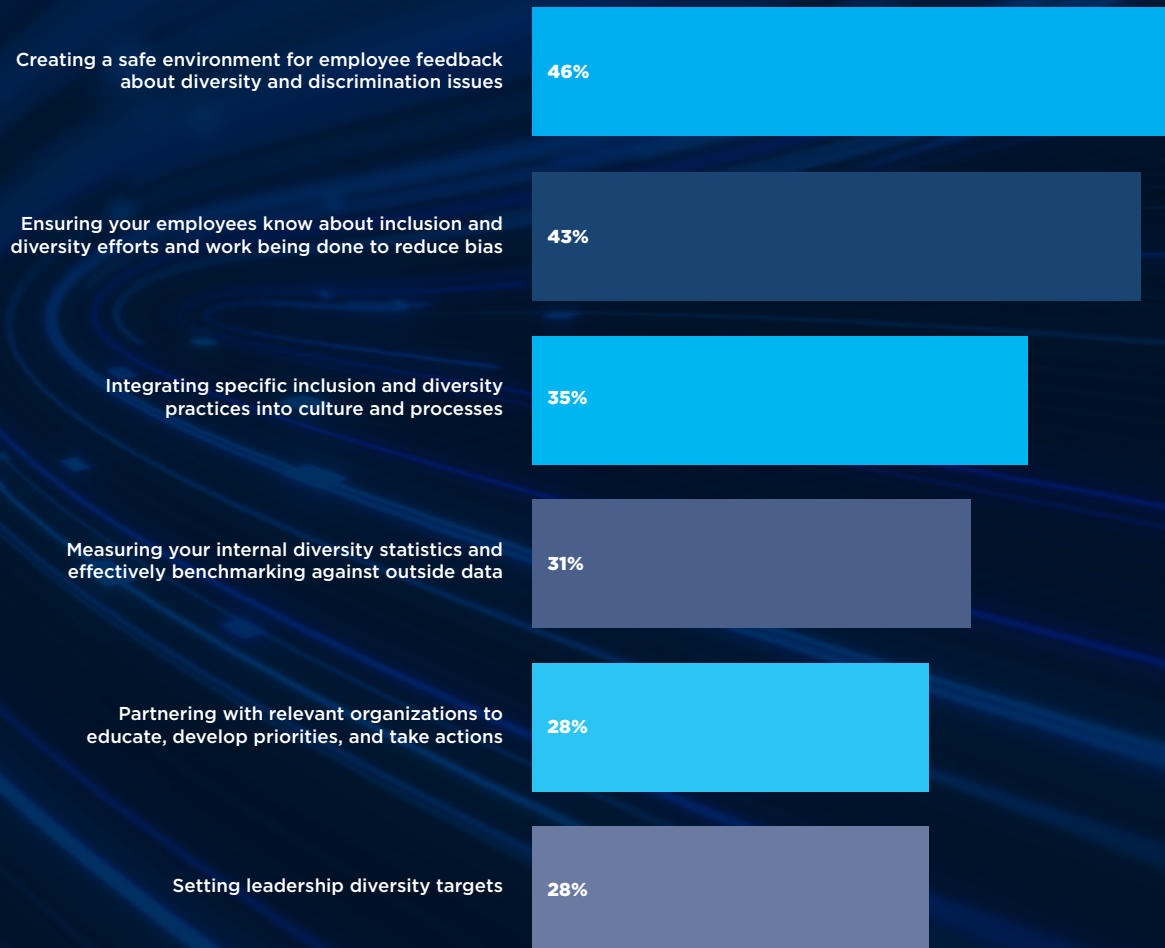
Boards and CEOs have consistently been increasing the volume of their messaging and commitment to diversity, inclusion and sustainability over recent years.

At first glance, the data shows significant progress in most companies. It looks like they are marching forward with purpose on all fronts.

The data shows there is a relatively medium to high level of confidence in the leadership team for this.

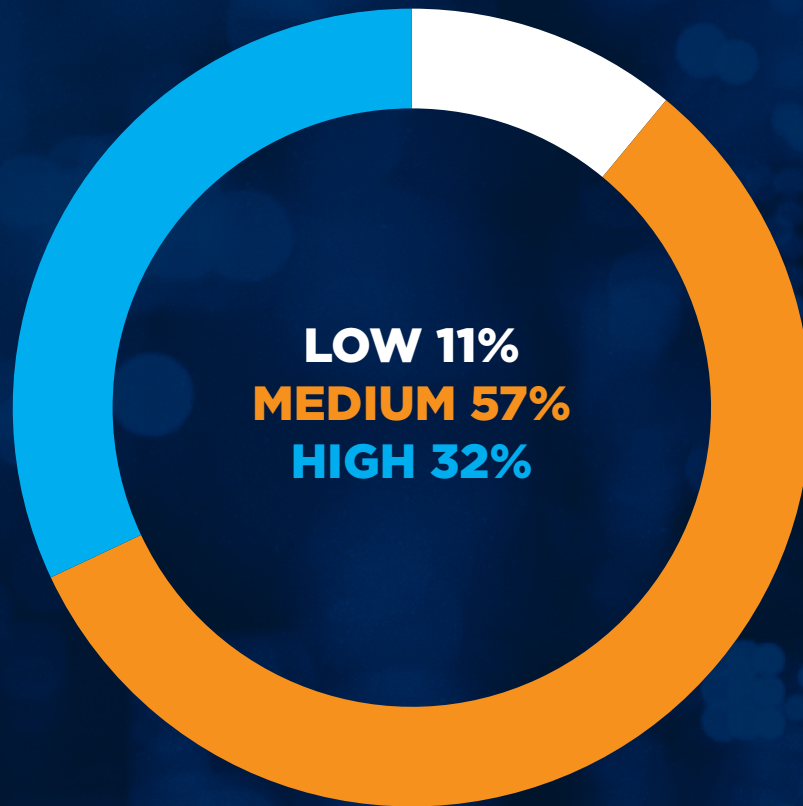


ON A SCALE OF 1 TO 10, HOW EFFECTIVELY HAS YOUR ORGANIZATION USED THE FOLLOWING PRACTICES TO IMPROVE INCLUSION AND DIVERSITY?

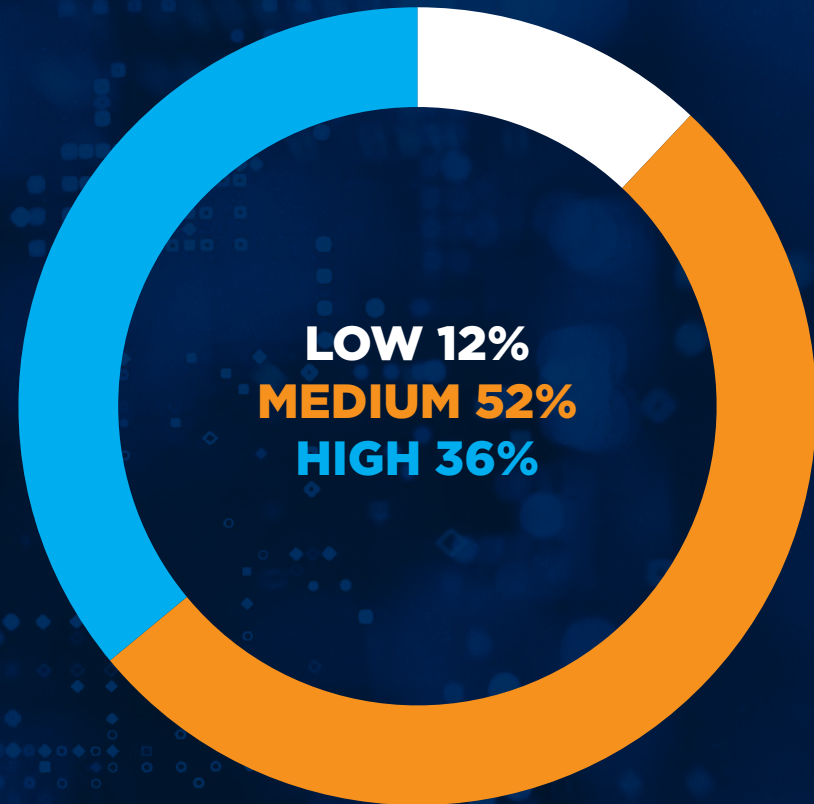


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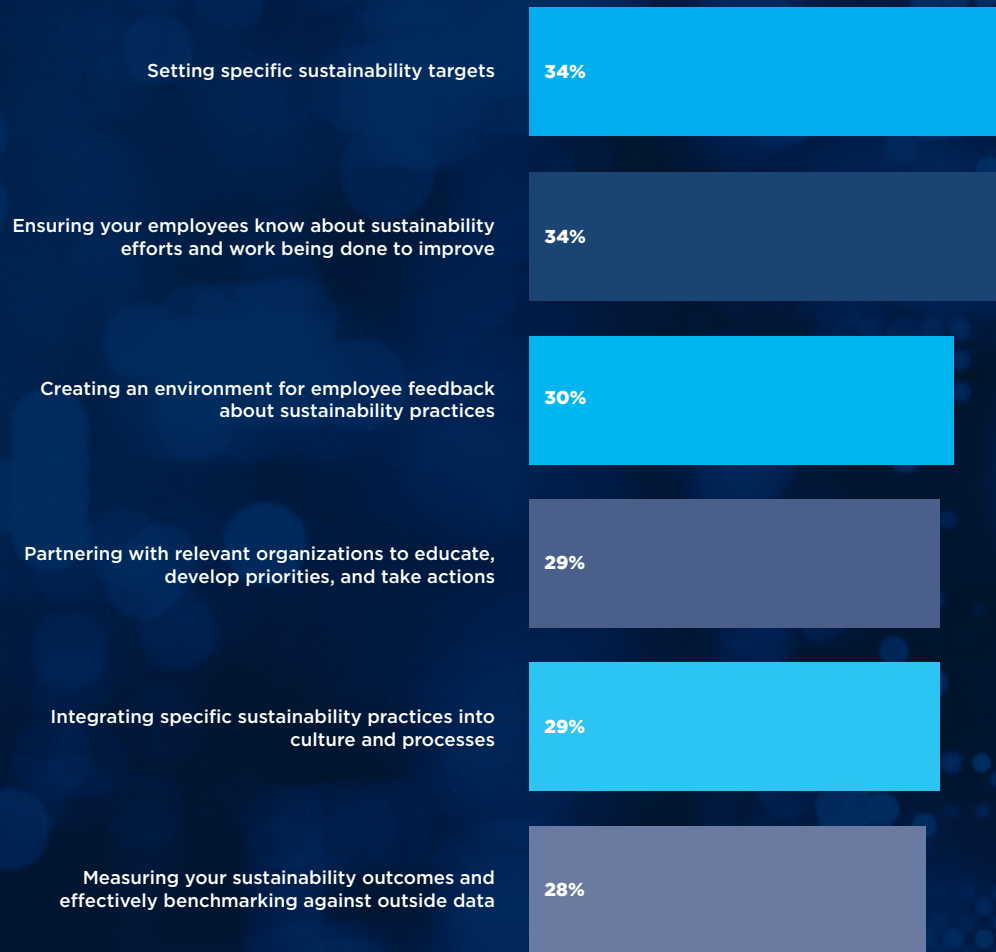
**HOW MUCH DO YOU
THINK SUSTAINABILITY
HAS IMPROVED AT YOUR
ORGANIZATION OVER THE
LAST TWO YEARS?**



**HOW CONFIDENT ARE YOU
THAT THE SENIOR EXECUTIVES
IN YOUR ORGANIZATION
ARE LEADING IN IMPROVING
SUSTAINABILITY?**



ON A SCALE OF 1 TO 10, HOW EFFECTIVELY HAS YOUR ORGANIZATION USED THE FOLLOWING PRACTICES TO IMPROVE SUSTAINABILITY?



Showing 8 to 10 scores only, on a 1 to 10 scale

HOWEVER, THE DATA DOES NOT SHOW THE WHOLE PICTURE

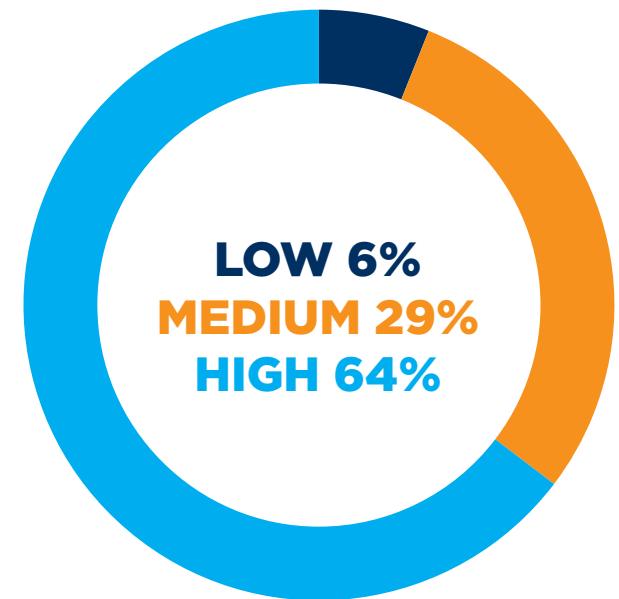
The respondents are all executives, and we see a discrepancy between intent and results here. Other studies that look directly at the true pace of change for diversity, inclusion and sustainability, show that the results are running at a slower pace than the rhetoric.

The risk for leaders is that the Environmental, Social, and Governance agenda for employees has advanced

well up their personal priorities list over the last two years. However well-intentioned an executive team may be, failure to deliver on their goals for inclusion, diversity, and sustainability, will result in employees losing faith and leaving. They will go to companies where they believe the leadership team is aligned with their values and beliefs.

Of course, for the companies who have achieved real progress, they have also gained a competitive advantage in attracting the best talent.

HOW MUCH DO YOU AGREE OR DISAGREE WITH THE STATEMENT: 'I AM PROUD TO WORK FOR OR WITH MY ORGANIZATION'?*
(SEE PAGE 24)





MORE DISRUPTION TO COME

The level of disruption to businesses over the last two years has been breathtaking.

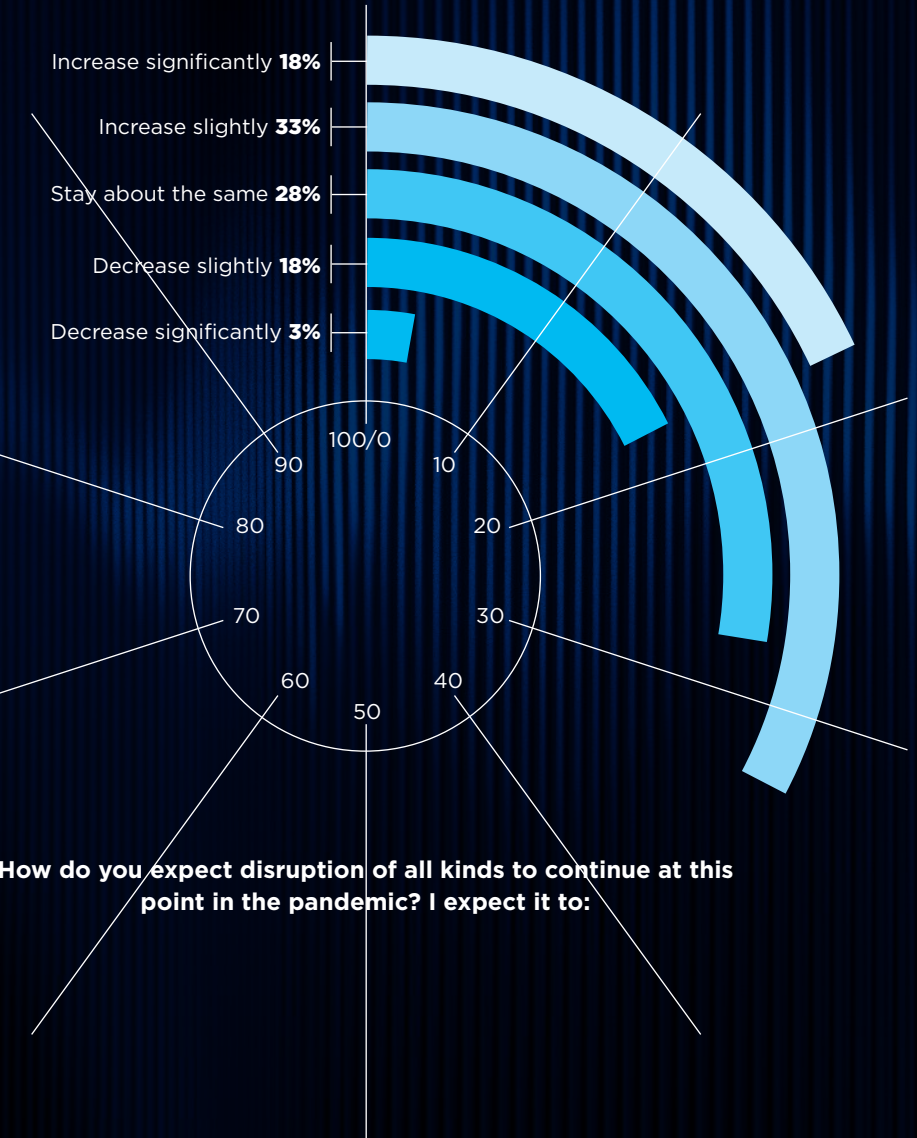
Everyone can cite stories of companies that have boomed through to those who have failed to survive. Most companies sit between these two extremes and, for them, it's been a journey of rapidly evolving their business and operating models.

79% of respondents to the survey see disruption continuing at the same level or increasing.

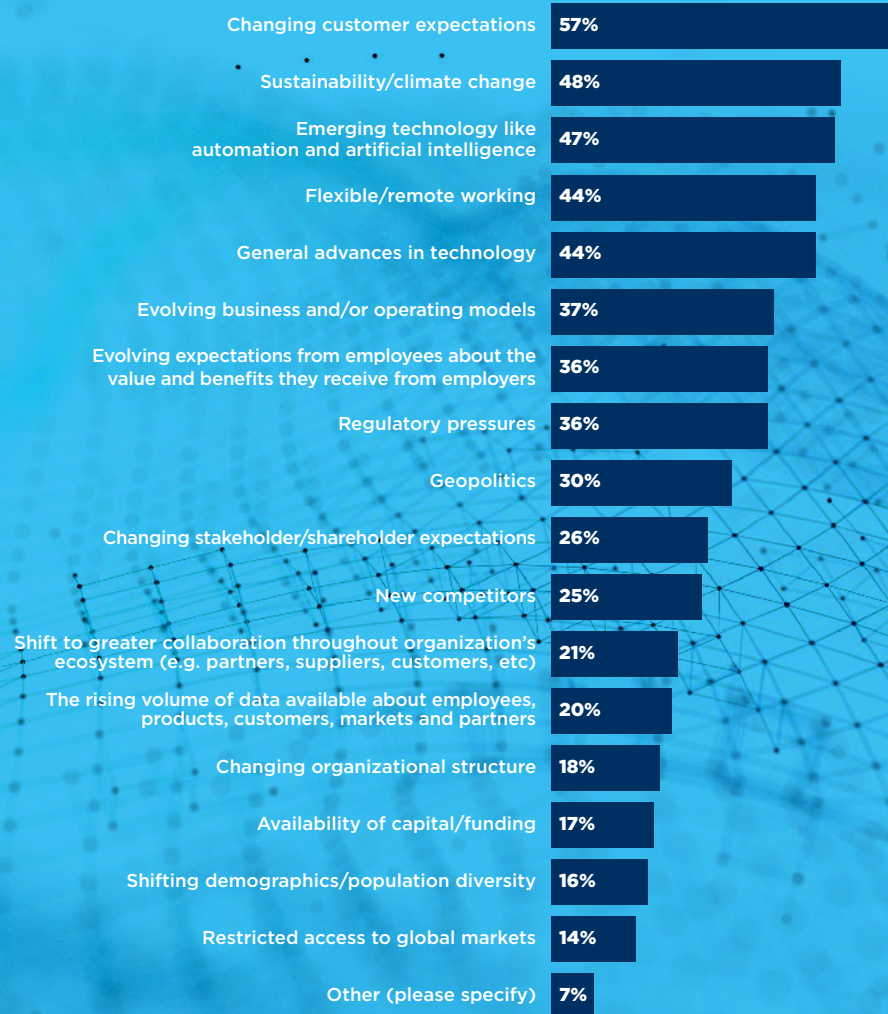
The pandemic sparked new disruptions on several fronts, but the disruptors for businesses that were in play before the pandemic have not gone away. We just have more.

As far as our respondents are concerned, leaders are definitely performing better in the face of disruption, with 42% now saying they have confidence in their leadership team to deal with disruption, while two years ago, this was 24%.

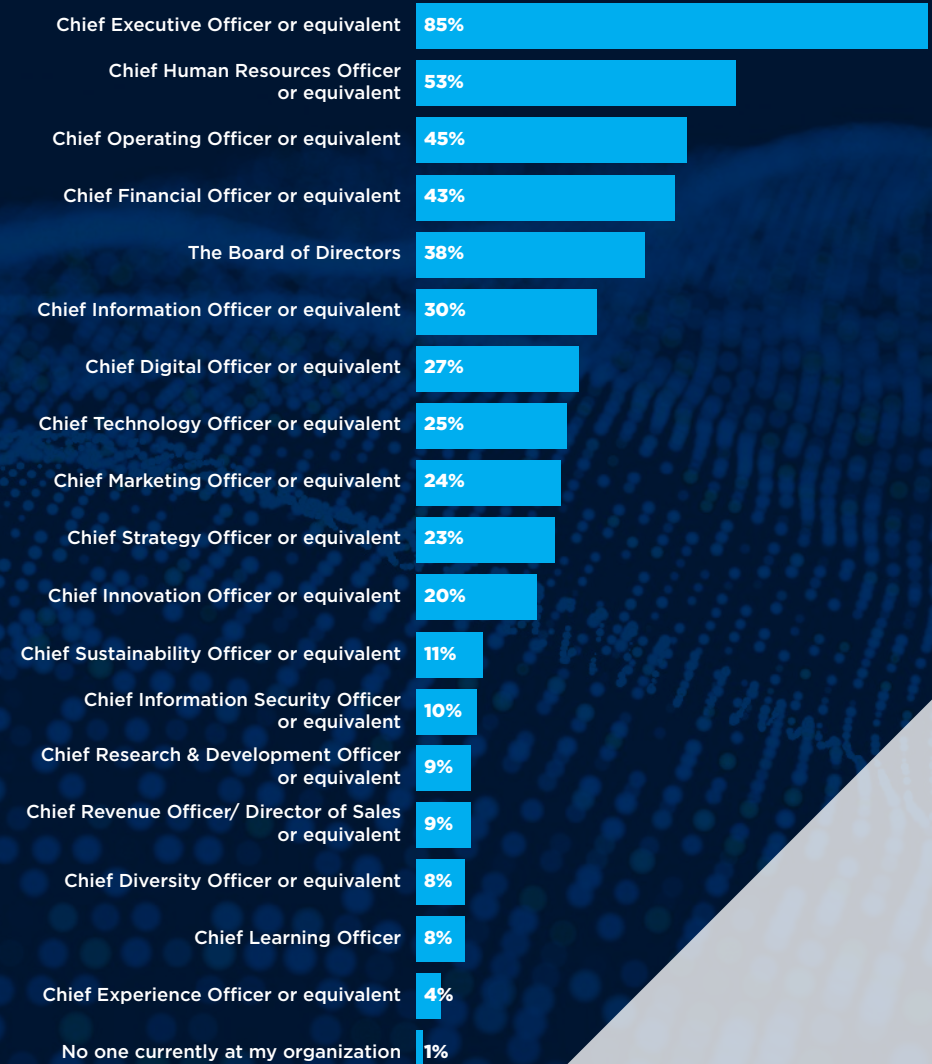
There is also a change in how the respondents prioritize the importance of the various executive roles in successfully managing disruption. Since the last survey, there was no change in how they saw the CEO, but the board, HRD and CFO are all regarded as being more important now, while the CIO has faded into the background somewhat.



Given the disruption you believe will occur, what factors do you believe will contribute most to the disruption of your organization or industry?



Which leadership roles are most important to successfully manage your organization through disruption post-pandemic?



SUMMARY AND CALL TO ACTION

Perfection will always be out of reach in every endeavor. Leading people can be a very tough ask and most self-aware leaders strive for a constant evolution in themselves and their companies, knowing that they can never have it all.

THERE ARE FOUR CLEAR POINTERS FOR LEADERS THAT COME FROM THIS DATA:

- 1** You are likely to be perceived as being a better leader than you were two years ago. It was the urgency, clarity of purpose and care for your team that got you there. Don't lose this, as the added engagement produces exponential results.
- 2** Attitude to technology has changed for just about everyone, but most leaders are perceived as being behind in understanding what is needed. If you have delegated technology strategy and understanding to the CIO, then you are a dinosaur and will be extinct soon.
- 3** The ESG agenda needs to be executed with urgency and authenticity, or your employees and clients will leave you over time. Properly and visibly leading and engaging with your company's ESG plan is critical.
- 4** Every executive is trying to predict future threats, but there will be more of the unknown. You know what to do now.

The pandemic has sparked unexpected change. Most leaders rose to the occasion, but more storms will come and how you navigate those will be a function not only of your own resilience and newly earned confidence, but also in how well you transfer the confidence to your people. Come the next

storm, the team needs to be ready to hoist the sails.

Perhaps there is an evolution in the way we lead companies under way and that would be good news. But, it took a crisis to get us here and will you be able to sustain the momentum?

METHODOLOGY

The methodology has been developed by Odgers Berndtson and Forrester. The analysis is based on responses to a study of 1,100 senior executives in 46 countries, representing companies with revenues ranging from US\$50m to over US\$5bn.

The survey was fielded from 2 November to 15 December 2021. For this study, we defined disruption as the unsettling forces that can impact an organization's strategic direction and challenge its operational capabilities, such as COVID-19, emerging technology, the impact of climate change, regulatory oversight, innovative business models, rising customer expectations, meeting inclusion and diversity targets and shifting demographics.

The Index provides a single measure of confidence in leaderships' ability to succeed through disruption by combining

the responses to questions examining attributes and activities of leadership.

The Index also measures confidence in leadership skills, experiences, motivations, and behaviors. Companies with high and low confidence scores are compared to highlight those leadership activities and attributes that are found to a much greater degree in organizations that feel positive about future success.

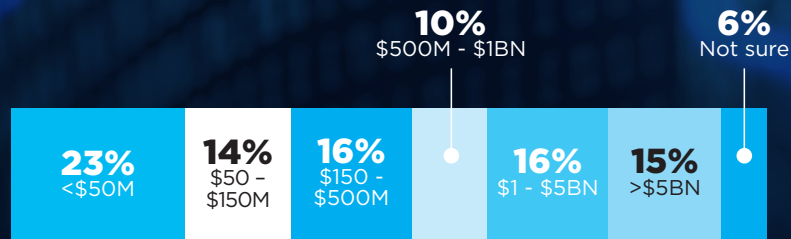
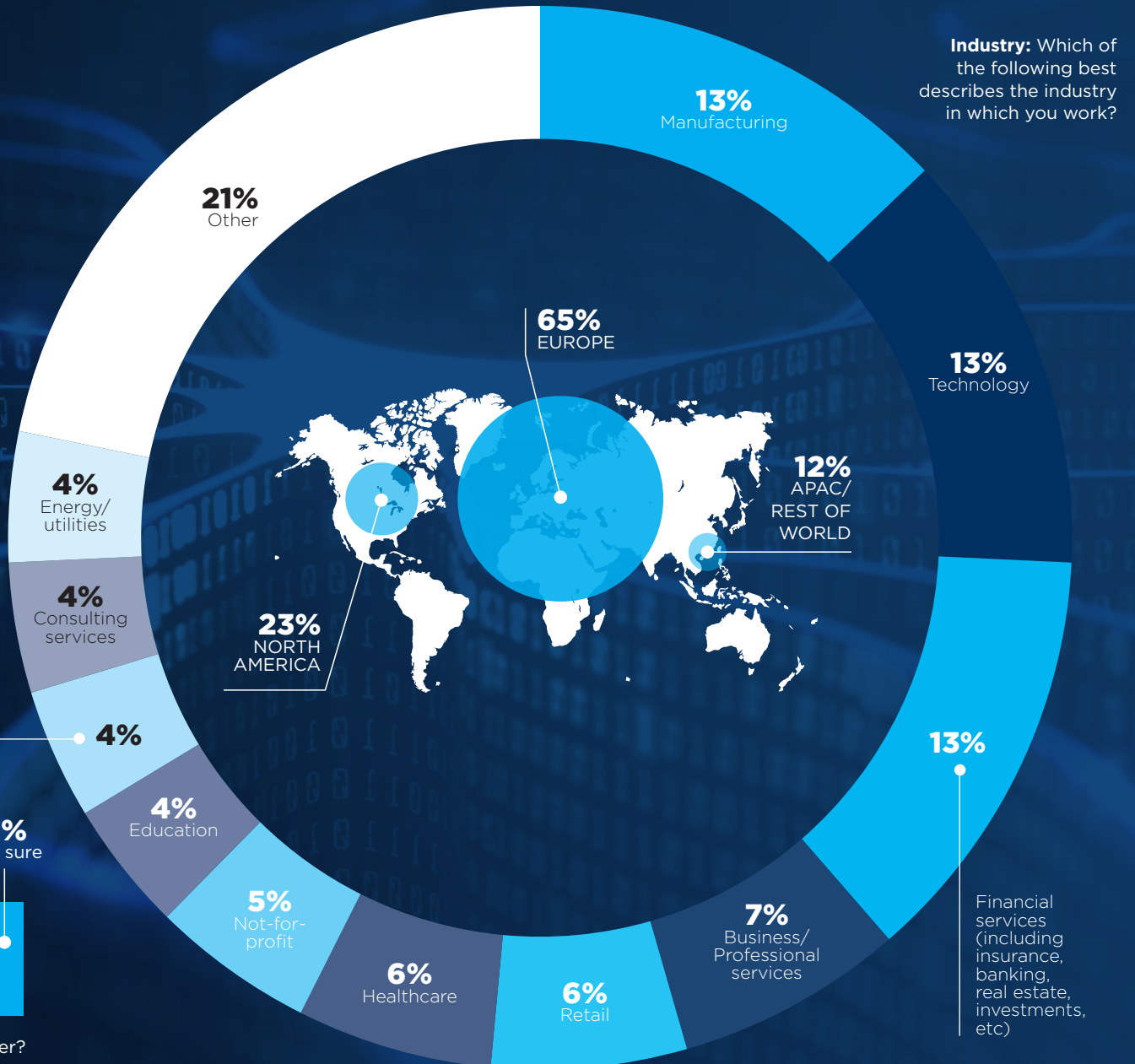
Forrester is a leading global research and advisory firm. It offers proprietary research, consulting, and events and conducts annual surveys of more than 700,000 consumers, business and technology leaders worldwide. Its offerings are grounded in rigorous and objective research methodologies.

**Please note that some of the charts do not total 100 owing to rounding*

STUDY STATISTICS

The *Leadership Confidence Index 2022* is based on data from 1,100 senior executives in 46 countries, representing companies with revenues ranging from US\$50m to over US\$5bn.

Using a methodology developed by Odgers Berndtson with Forrester, it provides a measurement of confidence in leadership teams to manage well in changing times. The analysis is based on responses to a study conducted by Odgers Berndtson and in partnership with Forrester.



HOW ODGERS BERNDTSON CAN HELP

Securing the right leadership is essential to ensure that an organization keeps pace with disruption. Odgers Berndtson helps organizations identify, attract and develop extraordinary executives who can ensure that evolution happens.

We combine deep sectoral insight with an analysis of the specific context in which the organization is operating. This entails evaluating existing board and management dynamics to ensure we consider every brief from all perspectives. We use our understanding to support clients to secure innovative leadership and board appointments capable of leading their businesses through disruptive times and towards success.

With offices in 33 countries, and through global collaboration between

them, our consultants combine their industry and functional expertise with cultural and geographic knowledge to ensure clients have a strong and diverse selection of candidates to choose from. We guide organizations towards appointments that will transform their business and secure its future. And we stay with our clients, and those we place, beyond each successful search, to support their continued joint future success.

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