



## Global Leadership Forecast Series

# CEO Leadership Report 2021

### The Vulnerability of the Human Element of Work

CEOs are worried. About their own performance. The performance of their executive teams. The leadership potential of next-gen talent.

Worse, CHROs are even more concerned than their CEO counterparts. As part of our *Global Leadership Forecast* series, we created this special report to help CEOs, CHROs, and boards of directors to guide their efforts in one of the most challenging talent markets in history.

The concern about leadership talent is in line with trends we've seen over the past years, as leadership jobs have rapidly expanded and grown more challenging. However, the global pandemic dramatically accelerated and reshaped many of the preexisting shifts in the markets, changing consumer behavior, workforce demands, technology requirements, and skill sets.

Confidence in the capability of our leaders and our people is the single factor that will most affect success in any of these changing market conditions. In this report, we lay out the differentiating practices that enable people and companies to thrive in the future.

To arrive at our recommendations, we analyzed responses from **368 CEOs** and **2,102 human resource executives** around the world, with an **average company size of 28,000 employees**.

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“ This past year has been about survival through adversity and retaining quality talent. Looking forward, we want to build a more diverse business, and primary to that is developing the people who will lead our organization through the changes that need to happen. ”

—CEO, Financial Services



## A Vision for the Future

### *Executive Summary*

CEOs, CHROs, and their boards are facing the most tumultuous business conditions in generations. As they grapple with the hyper-velocity of changes in markets, competition, customer demographics, and buying behavior, the only question that matters is whether they have the people with the resilience, capability, and agility to build the company's new future against such a challenging backdrop.

However, developing their executives and leaders—and even themselves—for that future capability is proving to be a significant challenge. Companies are moving fast, and often don't give their leaders the support they need for success.

Our *Global Leadership Forecast* study builds on this crucial context with the best practices that are differentiating organizations. Examining the responses from CEOs and CHROs across the globe, four main themes stood out in our research:

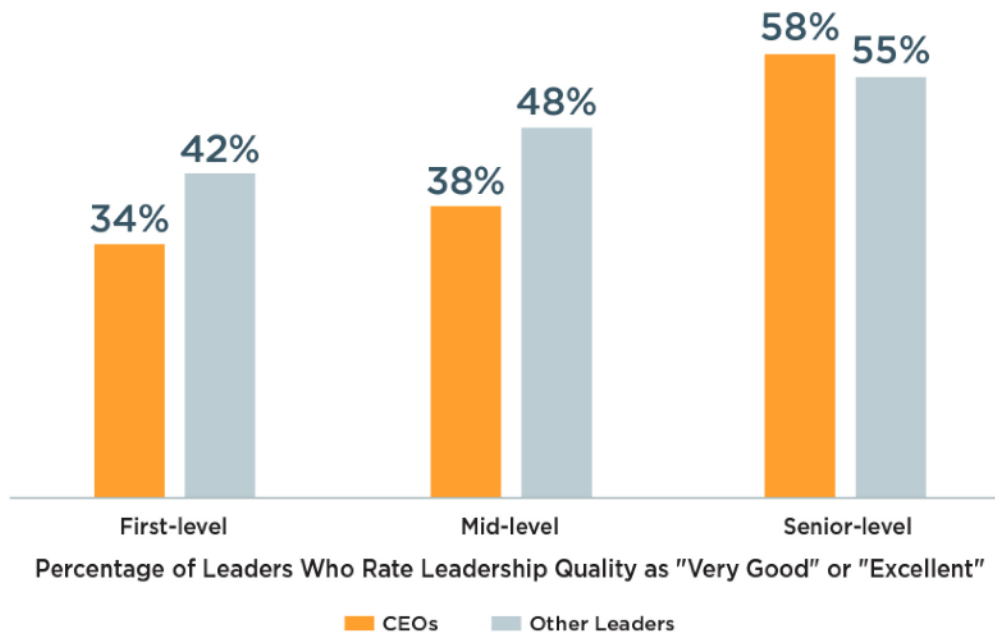
- 1. Developing future talent is an imperative for CEOs.** Top executives expressed concern about the quality of frontline and mid-level leadership quality. However, leadership development approaches are often piecemeal, with increasing emphasis on individuals to pursue their own development rather than offering organizational support.
- 2. As C-suite roles grow more demanding, C-suite leadership quality is dwindling against the rising benchmarks.** Bench strength is at an all-time low as companies struggle to fill critical positions.
- 3. CEOs and executives need development and support to be more effective in their roles.** This is especially true for accelerating leadership transitions to help organizations thrive amidst rapid change. Boards have a responsibility for CEO development, along with the CHRO, but CEOs should also be accountable for better executive development.
- 4. Many CEOs are not leveraging HR strategically to align their business needs with talent needs.** A disparity in alignment between CEOs and CHROs poses a threat to the business, while highly aligned CEO-CHRO teams are realizing valuable people and business outcomes.

Above all, there's a clear message that leaders at every level—from emerging high potentials to the C-suite—are looking for clarity in development and promotion decisions. In a chaotic environment, informal approaches aren't working well. Rather, the need for deeper leadership strategy must come from the top as CEOs, CHROs, and their boards work together to strengthen the backbone of their workforce: their leaders.

# Seeking a Stronger Next Generation

## CEOs Are Their Organization's Toughest Leadership Critics

### How CEOs Rate Leadership Quality



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In the eyes of most CEOs, next-gen leadership looks alarmingly bleak. As they look down the ranks of leaders in their organizations, most are not impressed by the quality of their frontline and mid-level leaders. This lack of confidence in lower-level leaders is a strong indicator that companies may struggle to attract and retain top talent. Meanwhile, companies with CEOs rating their leaders highly are more likely to be considered "Best Places to Work."

Only one in three CEOs (34%) say their organization's frontline leadership quality is "very good" or "excellent." At the mid-level, CEOs also have harsh reviews, with only 38% rating their mid-level leadership quality highly. However, CEOs are much more generous in their reviews of their senior team, with 58% saying they have a high-quality senior team.

These views don't quite line up with the view of leadership more broadly across the organization. On average, leaders give frontline and mid-level leaders much higher rankings, although were slightly less optimistic than CEOs about the quality of senior leadership.

The disparity opens significant questions. Are CEOs correct that lower-level leaders are unprepared? Or are they out of touch with these leaders, struggling to gain visibility into challenges below the senior leaders closest to them?

# Only 1 in 3



CEOs say their organization's frontline leadership quality is "very good" or "excellent"



## Where to FOCUS ↓

### Implement Four Leadership Practices That Impact Quality

If lower-level leaders are struggling to meet the challenges ahead, the first place to look is which leadership practices are in place to help them.

Our research revealed significant differences in leadership practices at organizations where their CEOs ranked their lower-level leaders as excellent versus poor.

In order of impact, these are the practices that make the biggest difference:

1. **High-quality internal coaching.** It's hard to blame lower-level leaders for not living up to expectations if they aren't getting the feedback and coaching they need from their managers. However, mid-level and senior leaders say they aren't particularly confident in coaching a direct report who isn't performing well. While organizations often train frontline leaders in coaching, they need to continue to reinforce and advance coaching skills for higher-level leaders.
2. **Fair and accurate systems for accelerating talent from a diverse pool.** CEOs also felt strongly that the strength of their bench depended on its diversity. CEOs who felt their organization recruits and promotes leaders from a diverse pool across all functions were significantly more confident in the quality of their leaders.
3. **High-quality leadership development programs.** CEOs recognize that a critical part of developing talent is equipping leaders with the skills they will need to succeed. Whether organizations had a high-quality development program was a determining factor in how positively CEOs viewed their frontline leader quality. And what makes a leadership program high quality? When leaders get the skills they need to succeed—and deliver bottom-line business results. But high-quality programs also get high marks from leaders, including high engagement ratings from the leaders themselves, and noticeable behavior change noted by the leaders' managers and direct reports.
4. **High-quality leadership assessment and feedback programs.** Given the value that CEOs place on the fairness of leadership promotions and development, it's no surprise that assessment plays a major role in their view of leadership quality. Getting an objective view of leaders' strengths and weaknesses—whether for a current or future role—not only helps hiring managers choose the right person for promotion, but target their development for better results.

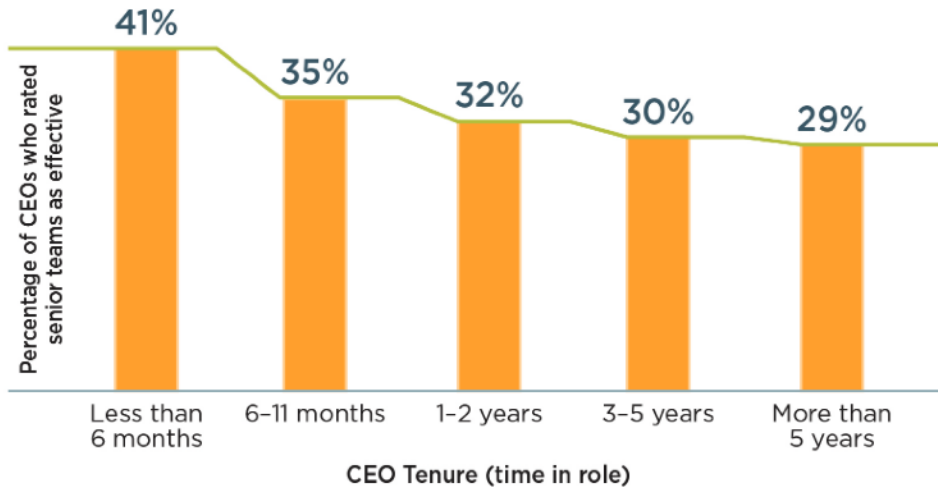
**“I define success in my role as developing the best talent in the industry.”**

—CEO, Automotive  
Manufacturing

# New CEOs Overestimate Their Executive Teams

## Confidence in Executive Teams Plummets Over Tenure

### How CEOs Rate Senior Teams Diminishes Over Time



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The honeymoon period for a new CEO's senior team lasts about six months, before beginning a decline of tough reality. In fact, identifying whether someone on their senior team is underperforming may be one of the hardest parts of the CEO's job.

We examined CEO ratings of how effective their senior teams are in reference to the CEO's tenure. Relative to more tenured CEOs, new CEOs were 32% more likely to say their senior executives operate as an effective team. After the first six months, ratings steadily drop off as CEOs settle into their roles.

This is true regardless of whether CEOs are hired externally or internally, which makes sense. For externally hired CEOs, it can be challenging to navigate new relationships with other senior executives while trying to evaluate performance. Meanwhile, even internally promoted CEOs struggle with new dynamics in working with colleagues they have known for some time now that they're in a new role.

As boards are keenly aware, these eroding ratings suggest that senior executive performance issues take time to discover. This may explain why so many CEOs are hesitant to make the changes they need, often waiting too long to replace underperformers.

New CEOs are

32%



more likely to say senior executives operate as an effective team



## Where to focus ↓

### Gather Objective Data to Inform New CEOs Quickly

It's no surprise that CEOs feel optimistic as they enter their new roles. Nor is it surprising that highly successful senior executives can appear quite dazzling in their accomplishments.

That may be why objective data is so critical for new CEOs. In fact, CEOs who said their organizations rely on and use objective data to make strategic talent decisions were more confident in their senior teams later in their tenure.

On average, only 30% of tenured CEOs (those in role three or more years) say their senior teams are effective. But among organizations that leverage objective data to make strategic talent decisions, 64% of tenured CEOs rated their senior teams as effective, more than double the average.

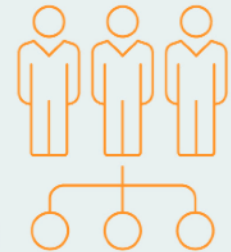
Additionally, there was less difference between new CEOs' and more tenured CEOs' ratings at organizations who are leveraging objective data to make strategic talent decisions.

Getting this objective data should be a critical part of the CHRO's job in onboarding the new CEO. If the CHRO is also new or doesn't have access to this data, they can work quickly with the CEO to determine what type of data or assessments they need.

However, the key to an effective senior team goes beyond individual performance. The team must also have a complementary set of strengths, a solid understanding of their weaknesses, and a shared vision for the company vision, goals, and strategy.

Among organizations that leverage **objective data** to make strategic talent decisions,

**64%**

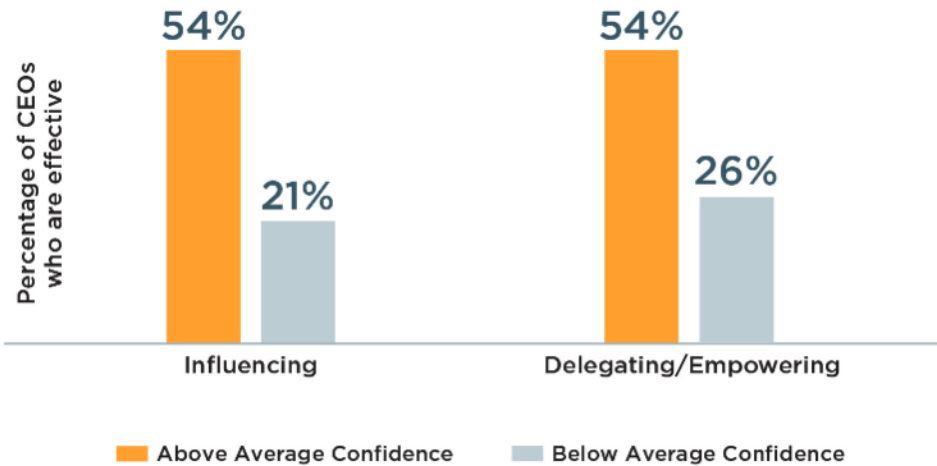


of tenured CEOs rated their senior teams as effective, more than double the average

# A Crisis of Confidence

## CEOs and Their Teams Waver When Tested

### Confident CEOs Influence and Delegate More Effectively



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**Confidence is contagious. But so is doubt.** In our study, we found a strong positive correlation between self-reported leadership effectiveness ratings and overall leadership effectiveness ratings from others. Meaning, when leaders feel confident about their abilities to lead, others do too.

In good times, this confidence is a powerful tool for CEOs. When CEOs have above average confidence in their leadership effectiveness, they are more than twice as likely to be effective influencers compared to those with average or below average confidence. They are also twice as likely to indicate being very effective at delegating and empowering others than those with average or below average confidence.

But when tested by crisis, CEOs' confidence began to waver. And so did their leaders. Both during and post-crisis, executives' self-reported ratings of their influence and communication skills decreased by more than 20%, indicating that self-doubt had set in. At the same time, executives' self-ratings of their ability to create an inclusive environment decreased by 25%.

When tested by crisis, executives' self-ratings of their influence skills decreased by more than

**20%**







## Where to focus ↓

### Provide CEOs with Focused Development on Key Skills

Communication and influencing are the two skills that most directly affect overall CEO confidence. When CEOs feel strongly about their coaching and influencing skills, they are more confident about their leadership abilities.

However, these same skills are also those most tested by crisis. Suddenly, CEOs may find that they aren't as effective as they previously thought, but there's no time to develop.

To prepare for these moments, CEOs should participate in an assessment to gauge their effectiveness, such as through an immersive simulation or a 360-degree feedback experience. They can then work with an external coach to develop and improve specific behaviors. The same coach can also help in the moment when leaders are tested by crisis.

While these two skills are core to CEOs' ability to lead through crisis, CEOs also list several other critical skills they feel they need to urgently develop in the next three years:

- ▶ **Managing change:** As rapid change lies ahead in a post-COVID economy, CEOs need the confidence of guiding their organizations in the right direction.

- ▶ **Identifying and developing future talent:** As CEOs prepare to shift business strategy, they are highly concerned about having the right people with the right skills to push their organizations forward.
- ▶ **Building partnerships:** CEOs recognize that their success will be highly interdependent on others, inside and outside their organizations. As a result, they are looking to build strength in their networks and partnerships.
- ▶ **Strategic thinking and vision:** Perhaps most importantly, CEOs need to make sure they are choosing the right strategic direction, understanding the obstacles to getting there, and creating a unified vision for their future.

More confident CEOs are

# 2X

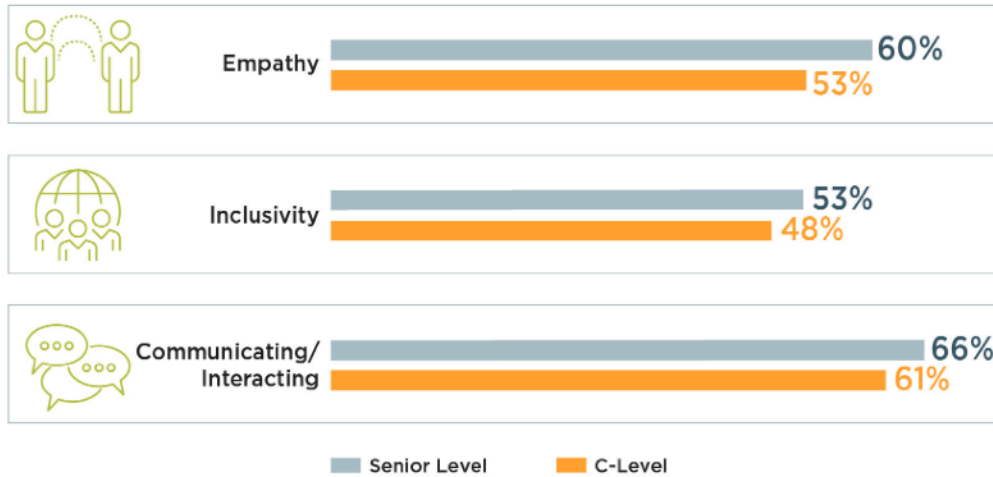
more likely  
to be effective  
influencers



# Essential Skills Create C-Level Vulnerability

## C-Level Leaders Report Struggles with Key Leadership Skills

### Skills Executives Need Most



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**Empathy times 20,000. Communication times 20,000. Inclusion times 20,000.** Every day, C-level leaders need to display key leadership skills that reverberate through their entire organizations, whether it is 200, 20,000, or 200,000 employees. While these are somewhat basic leadership skills, our study shows that the weight of amplification causes C-level leaders to doubt their own effectiveness.

For example, only 53% of C-level executives say they are effective at demonstrating empathy. Likewise, only 61% said they are very effective in communicating and interacting with others. The numbers continued to drop when it came to creating an inclusive environment, with only 48% of C-level execs reporting effectiveness.

In some cases, the problem may be C-level executives who have gotten into their roles by steamrolling others to achieve performance. However, it's unlikely to be the case most of the time. Our data shows lower-level executives—the pool from which C-level executives are pulled—report higher effectiveness across all of these skills.

It's unlikely that lower-level executives are truly better at these skills, or that only the most driven but insensitive leaders get chosen for the C-suite. Rather, C-level executives likely find the pressure to perform these skills well in top roles is highly amplified. They may find themselves coming up short in meeting these dramatically higher standards. However, as other findings in this report show, they may have nowhere to turn for the high-level development they need.



## Where to focus ↓

### C-Suite Needs Soft Skills

At the C-level, executives' interactions and influencing skills echo across the entire company. While these skills may seem fundamental, performing them in these high-risk, strategic situations is deeply complex.

When leaders at the C-level indicated receiving formal leadership skills training, their organizations greatly benefit. For example, when they receive training in these areas, their organizations are 1.6X more likely to be in the top 5% of financial performers compared to those without core skills training.

Additionally, how well these skills are developed has implications for the confidence levels of C-level leaders. When C-level executives receive training on core leadership skills, they are 1.5X more likely to indicate they are one of the highest performing leaders in their organizations compared to C-level executives without training in these areas.

Having C-level leaders who demonstrate empathy, foster inclusiveness, develop future talent, and communicate effectively is crucial for keeping organizations on track towards meeting strategic objectives.

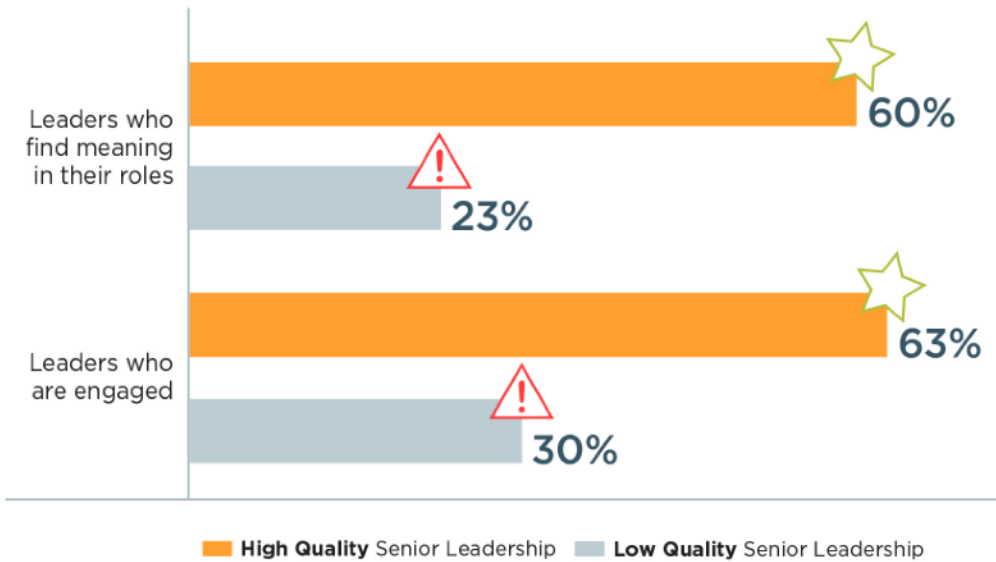
C-level leaders receiving formal training indicate their companies are

**1.6X** more likely to be in the **top 5%** of financial performers compared to those without formal training

# The Surprising Influence Behind Purpose

## Senior Leaders Strongly Influence Purpose & Engagement

### Senior Leadership Quality Drives Purpose & Engagement



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Finding meaning and purpose in your work is usually thought of as a private process. But it may be more influenced by senior leaders than expected. When leaders perceive their senior leadership to be of high quality, they are more than twice as likely to report being engaged in their leadership roles compared to those who rate their leaders as low quality. They are also 1.5X more likely to find their jobs full of meaning and purpose and may recognize they have a role in helping to achieve the organization's strategic vision.

Leaders' intentions to stay are also impacted by senior leadership quality perceptions. In fact, when leaders rate their senior leadership team as high quality, they are 40% less likely to say they intend to leave their organizations within a year compared to those who rated their senior leadership quality as poor.

Leaders who perceive senior leadership as high quality, are

**2X** more likely

to be engaged in their leadership roles





# Where to focus ↓

## Boosting Senior Leadership Support

Leaders at all levels have been encountering new challenges as the speed and frequency of changes and crises continue to impact the workforce. Though responses to these crises may play a role in the perceptions of senior leadership, there are a few fundamental and actionable things that directly impact senior leadership quality perceptions during these times.

Specifically, we found eight key factors that boost senior leadership effectiveness ratings. In order of impact, senior leadership quality improves when:

1. Senior executives operate as an effective team to drive the strategy forward.
2. Companies have an effective leadership strategy.
3. Leaders have strong interpersonal skills.
4. Flexible work arrangements are common and supported.
5. Leaders challenge self and others to recognize and eliminate biases.
6. Leaders are promoted based on merit.
7. Leaders are accelerated from all functions and parts of the organization.
8. Inclusion of different perspectives is a strong component of the company's culture and values.

When these boosters are present, leaders know the strategic goals they are working towards. They also trust that different perspectives are welcomed and that advancement decisions are made fairly.

**When leaders rate their  
senior leadership team  
as high quality, they are**

**40%**

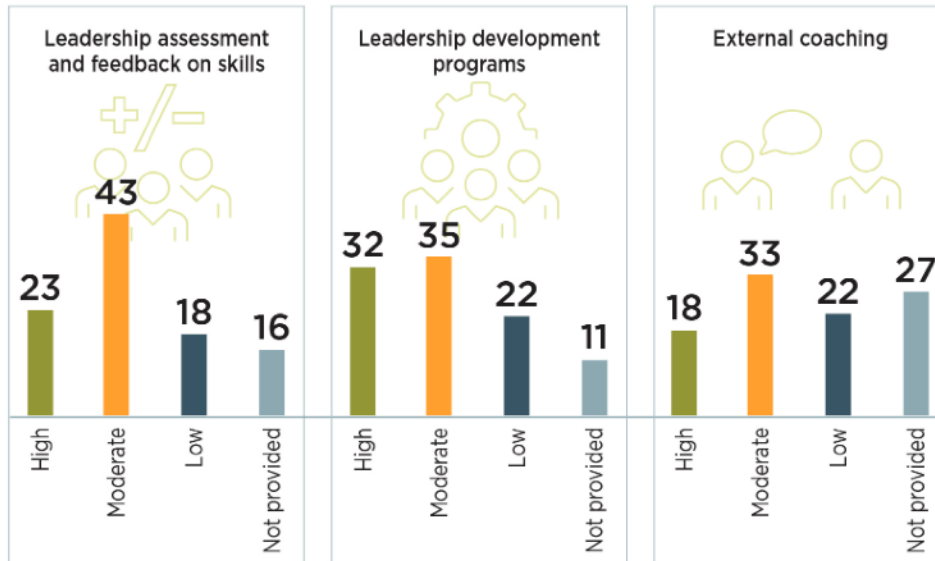


**less likely to quit  
within a year**

# CEO Development Falls Off the Radar

## The High Risk of Low Priority CEO Development

### CEOs Rate Their Development Poorly



Percentage of CEOs by Quality Ratings

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**“Once I became CEO, no one gave me honest feedback anymore.”** This comment from one of our CEO coaching clients is powerfully reflected in our data about the gaps in CEO development.

Often, CEOs know that their development is inadequate. Going into the toughest jobs of their careers, they are disappointed in the quality of their development, with only 32% of CEOs rating their experiences highly.

More than anything, CEOs want more coaching and feedback. Often, the CEOs our team has coached have expressed that the power of their position compels others to tell them only what they want to hear. That may be why 60% say they want more external coaching to help them improve their leadership skills.

This need for objectivity extends to CEOs' reactions to the quality of assessment and feedback. Currently, 85% of CEOs go through some leadership assessment, but only 23% say they receive the high-quality feedback they need to develop further.

Those who receive high-quality assessment and feedback are more confident in their leadership skills, particularly in the biggest blind spots among C-suite leaders. CEOs who said they have received high-quality assessment and feedback rated themselves 52% higher in business acumen and identifying and developing future talent, two areas that are critical for the future.



**60%**  
of CEOs want more external coaching and feedback



## Where to focus ↓

### Embrace Hard Truths for Better Performance

CEOs make it to the top because they are high performers, and they have a track record of success. When leaders have a history of being so successful, it's easy to overlook weak or blind spots. That's where objective feedback becomes so critical, and most CEOs recognize they need it. However, some may still be reluctant.

How can CHROs and boards support CEOs' needs for coaching? And why should they? The payoff of effective coaching and feedback is huge. CEOs in our study who received high-quality feedback from assessment, along with external coaching, were not only more successful in typical blind spots, but they also had a much more positive impact on their organization's talent and future capabilities.

Organizations where CEOs had received high-quality coaching and feedback were:

- ▶ 8X more likely to hire the right people and capabilities into the organization.
- ▶ 6X more likely to foster an inclusive culture and workplace.
- ▶ 5X more likely to prevent employee burnout in the pursuit of driving profitable growth.

CEOs who received  
high-quality assessment  
feedback and  
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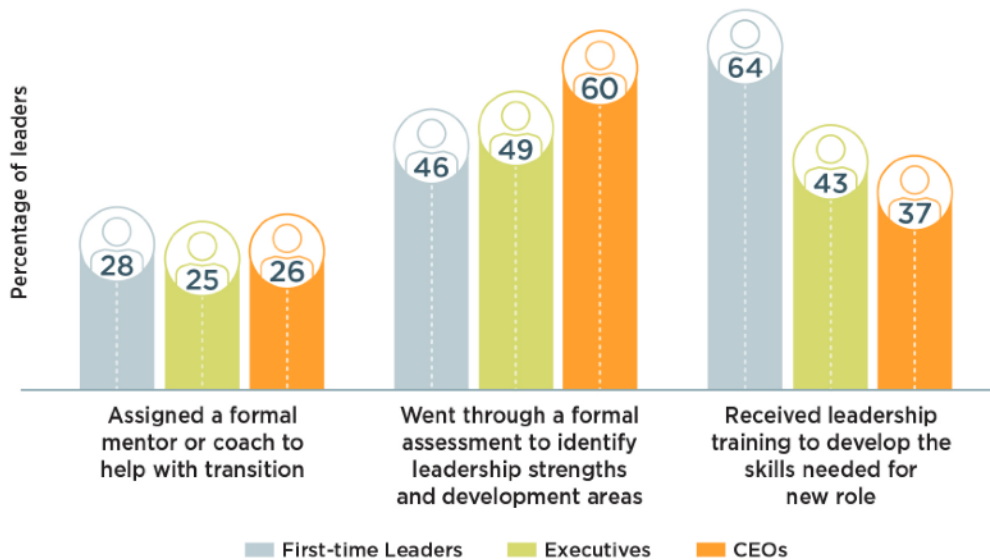
**8X** more  
effective  
at hiring the right people



# Suffering in Silence

## Executives Are Left on Their Own in Transitions

### Formal Transition Support Lacking for Leaders Across Levels



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Despite going through one of the biggest transformations of their career, new executives are often expected to make it on their own.

Only 35% of senior executives received any coaching during their transition. Even fewer were assigned a formal mentor or coach—just 21% of all senior executives.

Additionally, fewer than half of executives (49%) said they went through an assessment to identify their strengths and areas for improvement. The number is slightly higher for CEOs, with 60% saying they went through assessment. This is a must-have experience that too few executives are currently receiving to inform their development and prepare for higher-level roles.

“Our organization has been focused on growing leaders early. I still feel there is room for development through external coaching, especially for the senior leadership team.”

—CEO, Pharmaceuticals





## Where to focus ↓

### Fuel Executives' Energy and Speed in Transitions

Transitions are the make-or-break moments for leaders, with even higher stakes for executive roles. As leaders ascend to senior-level executive roles, they are less likely to speak up and ask for help, so it's critical that organizations establish a set of practices that are already in place to support critical transitions.

Getting development and objective feedback on improving leadership skills early has a significant impact on how quickly executives transition and get up to speed in their new roles.

In addition to having early development, when assessment is high quality, executives indicate lower levels of stress and transition quicker into their new roles. This is a critical support factor for executive transitions. Senior executives who said they received high-quality assessment:

- ▶ Had 20% speedier transitions to their current roles.
- ▶ Were 46% more likely to report their work in their new role energizes them (71% vs. 49%).
- ▶ Were 83% less likely to have a stressful transition.

Senior executives receiving high-quality assessment were

**20%** faster in their transitions to their current roles

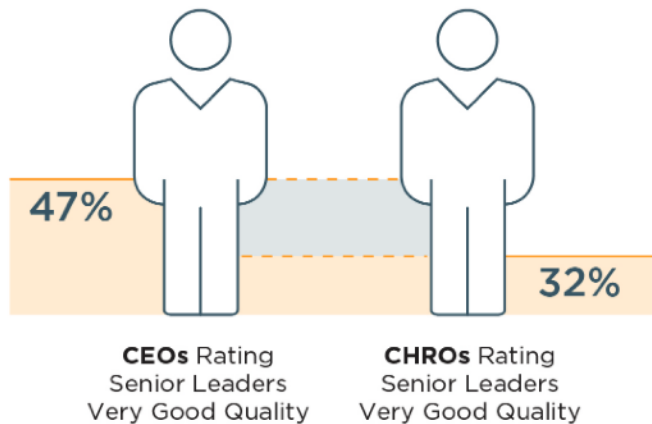
**46%** more likely to say their new role energizes them

**83%** less likely to have a stressful transition

# The Delicate Balance of the CEO-CHRO Relationship

## HR's Critical C-Suite Influence

### Perceived Gap in Senior Leader Quality



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If your CEO and CHRO give dramatically different answers about their views on organizational talent, it's a sign of a major problem. While not often discussed, the relationship between these two executive roles can set the tone for the entire organization.

In our study, we found that strong alignment between CHROs and CEOs only happens about half the time. For example, 47% of CHROs and CEOs from the same company align on their perspectives of their senior leadership quality. This alignment has both talent and business implications.

For instance, when CHROs and CEOs align on their senior leaders' quality perceptions, they are 1.5X more likely to be among the top financial performers over those that do not have this alignment. When there is misalignment at the top, it may result in a rift that is felt at other levels in the organization, making it difficult to work together towards strategic objectives.

Companies with stronger alignment have 36% less leaders indicating they intend to leave their organizations within a year compared to those without it. Furthermore, companies that have strong CEO-CHRO alignment are nearly 3X as likely to have a strong leadership bench, compared to those that do not.

Companies with CEO-CHRO alignment have

# 36%

fewer leaders who intend to quit within a year



# Where to focus ↓

## CHROs Must Be Anticipators

In our global leadership studies over the years, we've seen patterns in how HR departments are positioned in organizations, resulting in three categories:

1. **Reactor:** Ensures compliance with policies and practices, responds to needs of the business by providing key tools/systems when asked
2. **Partner:** Openly exchanges information with the business about current talent issues; collaboratively works toward mutual goals
3. **Anticipator:** Uses analytics/data to predict talent gaps in advance, provides insights about how talent quality relates to business goals

In most organizations, CEOs don't fully leverage the capabilities of their CHRO and HR department, viewing them as partners or worse, reactors, to talent issues. But in about 8% of organizations, CHROs are regarded as anticipators who drive people strategy to align with business strategy, which is where big business results start to happen.

When HR is an anticipator, companies are 3X more likely to be capable of hiring the right people than when HR is merely reacting to talent needs. In addition, these companies are 1.4X more likely to be seen as very capable of reacting to the nature and speed of change.

Finally, anticipators are more likely to use analytics and data to predict talent gaps in advance. They also provide insights about how talent quality relates to business goals. Organizations that do this are more than twice as likely to report being in the top 10% of high-performing organizations than peers.

While the data shows the power of HR to drive people strategy in service of the business strategy, these results are dependent on how the CEO views the HR function. For those CEOs and CHROs that are currently forging new vision and alignment for their HR departments, our research showed three key places to start driving alignment:

1. Focus on co-creating a strong leadership strategy.
2. Align to create clear expectations and competencies to support your leadership culture.
3. Agree on key goals for diversity representation at the senior leadership level.

Positive outcomes  
for the business  
when CHROs are  
anticipators



**3X** as likely to hire  
the right people

**1.4X** more likely to  
react to change

**2X** more likely to be  
in the top 10% of  
high-performing companies



## Global Leadership Forecast Series

# CEO Leadership Report 2021

### About DDI

DDI is a global leadership consulting firm that helps organizations hire, promote, and develop exceptional leaders. From first-time managers to C-suite executives, DDI is by leaders' sides, supporting them in every critical moment of leadership. Built on five decades of research and experience in the science of leadership, DDI's evidence-based assessment and development solutions enable millions of leaders around the world to succeed, propelling their organizations to new heights.

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