

EgonZehnder

*It starts
with the*
CEO

A global study



Dear CEO,

We recently completed a study involving nearly 1,000 CEOs worldwide. Perhaps you participated—if so, thank you. More than ever, we have observed great enthusiasm among CEOs to talk with one another, learn from their peers, and reflect more deeply on what is required of them.

In an individual reflection shared through our study, one CEO said:

“I never want to do this last year again, but I have grown in ways I could never have predicted.”

That spirit of personal growth born from challenge is a common thread running through CEOs’ responses. When we weave together the voices of your peers with the latest thinking from Egon Zehnder’s CEO advisory work, four findings stand out:

Complexity and rapid change are reshaping business—and the CEO’s role.

When asked about the impact of recent circumstances on their organization, most CEOs highlighted accelerated decision-making and change, and greater economic uncertainty. And 90 percent of them agreed that the CEO has moved into the center of louder, more diverse and diverging voices in recent years. These shifts speak to the ways in which the role of the CEO is changing.

It starts with you—CEOs recognize they must change themselves to change the world around them.

Our most striking finding is the near-unanimous agreement among a thousand leaders that, “As CEO, I need the capacity to transform myself as well as my organization.” Nearly 80 percent of CEOs *strongly* agree on the importance of what we at Egon Zehnder call the “dual journey.” But change is hard: Your peers admit to blind spots that hold them back from connecting with their people and lifting the collective ambition.

CEOs sense their goal is prosperity for the many—but most are far from achieving it.

One CEO spoke for many, saying: “Today we have a more balanced ambition to deliver stronger financial results *and* to make a significant social and environmental contribution.” But it’s not yet clear whether they will be able to deliver on that ambition: Traditional financial metrics remain the dominant decision-driver for most CEOs.

To reset their course, CEOs are expanding their capacity to be adaptive, relational, and self-aware.

They are committed to self-reflection and listening to diverse points of view, and they increasingly seek frequent, honest feedback from team members, Chairs, mentors, consultants, and other CEOs. They pursue this self-awareness to expand their relational intelligence so that they can create highly adaptive organizations.

This report is the start of a series of perspectives drawing on the rich data and reflections of our CEO study. It presents the clear voices of participating CEOs, alongside Egon Zehnder’s own views on the profound shift underway in the essentials of CEO leadership.

1,000

CEOs worldwide shared their reflections.

90%

have moved into the center of louder, more diverse and diverging voices.



Complexity and rapid change are reshaping business—and the CEO’s role

“I’m really beginning to question whether the CEO job is still worth it.”

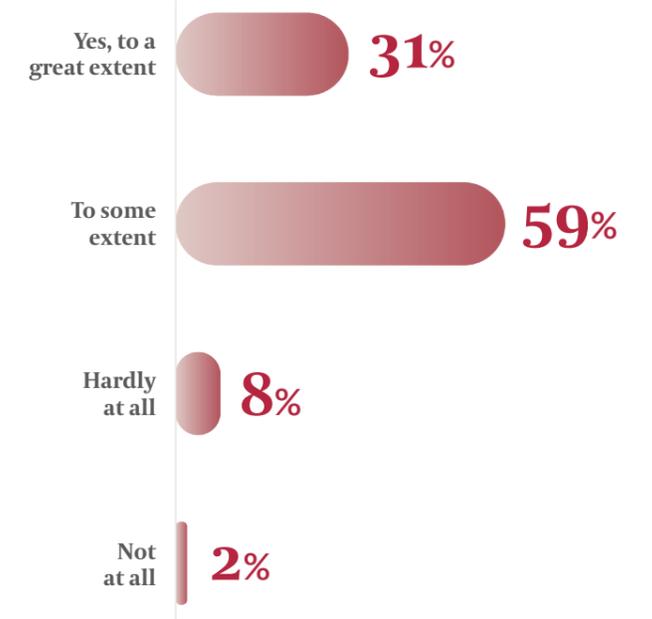
This frank admission by one of your CEO peers highlights how the flux and complexity of our times are impacting leaders at a deeply personal level.

Nine in ten of our respondents agreed that, in recent years, the CEO has moved into the center of louder, more diverse and diverging voices—“a tsunami of information and opinion,” as one of your peers put it. Most said their organizations faced accelerated decision-making and change, along with greater economic uncertainty. As another CEO told us:

“Managing a diverse set of different and often conflicting views, often shared forcefully and to a wide audience, has become the norm.”

Of course, challenge and disruption can be a source not just of stress but of positive energy. Many of the CEOs we spoke to said that they had found the upheavals of the past year to be a spur for learning and change. As one said, the past year has presented an “opportunity to think afresh of a completely different way of doing business.”

Most CEOs have increasingly found themselves caught between diverse and diverging voices



Yet the collision among the COVID-19 pandemic, calls for social justice, and mounting environmental concerns *has* stretched CEOs immensely. These challenges come on top of megatrends that are disrupting long-established business models: The rapid advance of technology, coupled with fast-changing customer demands and the emergence of new competitors, require CEOs to innovate at unprecedented pace and scale.

In this new phase of history, one where the dominant theme is complexity, CEOs are forced to rethink tried-and-tested approaches to leadership. As one of your peers told us:

“The [CEO] job is different than it used to be. It requires operating at, and moving through, all levels of the organization. It requires understanding of technology and its disruptive impact, of the new generations coming into the workplace, and of the change in customer expectations.”

Indeed, the role has changed. CEOs, especially those leading the most globally connected organizations, face an ever-expanding series of intricate puzzles—which stakeholders and societies expect them to solve. In innumerable

conversations over the past year, we have witnessed first-hand how this new reality has challenged, and sometimes unsettled, many leaders. As one highly experienced CEO told us:

“When you become a CEO, you don’t belong to yourself anymore.”

Egon Zehnder’s Chair, Jill Ader, says that many of the CEOs she counsels are wondering: “*Am I enough?*” Some CEOs have gone further, telling us they are disillusioned or burnt out. One of your peers forecast that “there will be significant turnover in the CEO ranks” in the months and years ahead. Our research indicates that they are likely to be proven right (see sidebar).

That said, most of the CEOs we engage with are strongly committed to the role, ready to tackle today’s challenges and to learn to lead in new ways. In our view, the CEOs who succeed in today’s fast-shifting world will be those who summon the imagination, courage, and resolve to work *on* the system, rather than *in* it. Visionary CEOs embrace the role of architect rather than operator; in doing so, they can inspire their organizations, drive value-creating change, and find meaning in their evolving role.

CEO departures—more frequent and sudden

Egon Zehnder’s analysis of 214 large, publicly traded companies worldwide found that half of them had appointed *three or more* CEOs in the decade from 2011 to 2020. What’s more, CEO departures are becoming increasingly frequent: Almost every year since 2011 has set a new record, and 2021 looks likely to break the record again.

Volatility in CEO tenure



An alarming proportion of the CEOs who leave the role do so unexpectedly. Fully 39 percent of leadership transitions in the companies we studied were emergency departures—the CEO suddenly resigned or was fired, or caught the board off guard and did not extend their contract. Sadly, a significant number of CEO departures were due to serious illness or death.

Successful transformation starts with the CEO

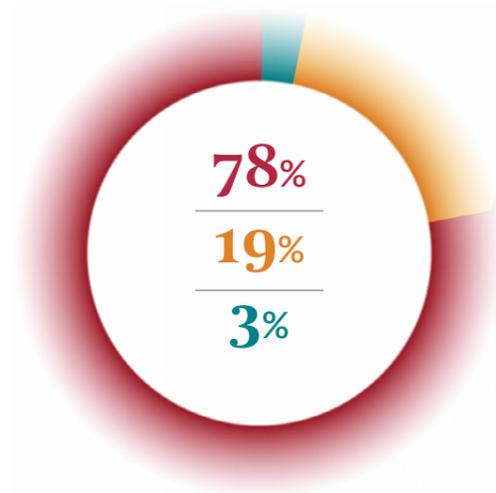
In the face of complex and rapid change, a common response by leaders is to try to do more and move ever faster—but that’s unlikely to be sustainable, or the route to the wisest answer. Instead, many of your CEO peers told us they were slowing down and considering how to do things differently. As one said:

“You can’t expect everything to change whilst you stay the same. Leadership takes personal development and evolution, at the heart of which is curiosity in terms of learning and listening to what is really going on in your teams and the world.”

Our study shows that CEOs are committed to self-reflection and hungry for feedback: They know they need to stay open-minded if they are to broaden the solution space. The CEOs’ personal development has come to the fore as the route into evolving their ability to lead—and many are also driving far-reaching change across their businesses. As another of your CEO peers told us: “We have sped up all our transformation projects aiming to build a future-proof organization.”

Indeed, our most striking finding is the near-unanimous agreement among a thousand leaders that, **“As CEO, I need the capacity to transform myself as well as my organization.”** What’s more, nearly 80 percent of CEOs *strongly* agree on the importance of this “dual journey” of personal and organizational change. Previously, a majority of CEOs accepted this statement, with 26 percent agreeing strongly. Now, just a few years later, three times as many strongly identify with the need to work on themselves—and there is near-total unanimity among all CEOs that this describes their situation.

CEOs strongly agree: Personal and organizational change matter more than ever



- Strongly agree
- Somewhat agree
- Neither agree nor disagree

It's no easy matter to realize such far-reaching change: Quite apart from the natural inertia to organizational transformation, CEOs are often held back by blind spots of their own.

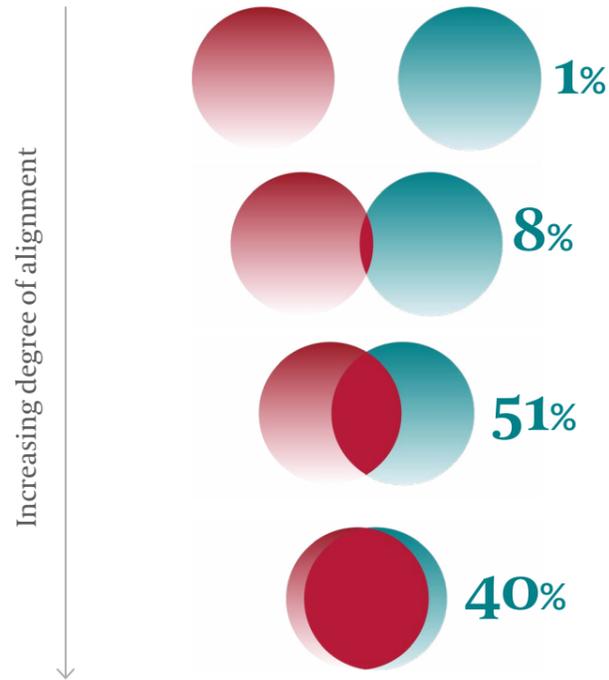
When we asked the CEOs to reflect on the Achilles' heels their teams had alerted them to, by far the most common issue was their capacity to relate to others effectively and authentically. That, in turn, appears to be making it harder for CEOs to inspire their people and lift the collective ambition of their organizations. Your peers told us that this was a key priority, but many admitted they were struggling: 80 percent reported challenges in pacing change, focusing their teams, and bringing people along with them. Again, the key to unlocking this conundrum lies within: It requires honest self-examination of a CEO's approach to leadership.

Large numbers of CEOs are also struggling to build cohesion with their executive teams and boards—a further relational challenge. Just 44 percent of CEOs said they were fully aligned with their teams, and even fewer said the same about their boards. As one of your fellow CEOs told us: "With massive transformation happening in current times, it is taking some time to get full alignment with all members of the executive team, as there are more discussions and opinions."

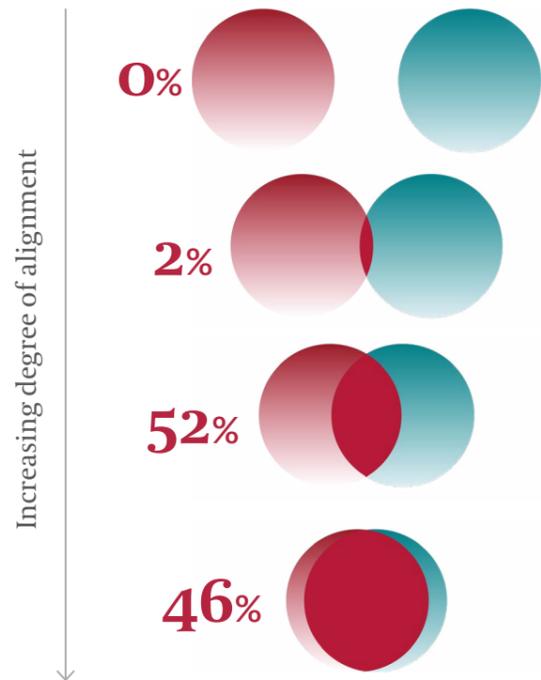
Many CEOs are facing up to their blind spots—and finding the courage to re-examine leadership approaches that have served them well throughout their careers, but which were developed in another era. Even though CEOs are near-unanimous that transformation is essential, they are at very different stages of their journeys.

We are convinced, however, that every CEO—regardless of tenure or background—has the power to reflect on their current way of leading and pinpoint the shifts needed to renew their approach to leadership and inspire their organizations to thrive in a new era. If change starts with the CEO, then the choice rests with you.

CEOs' alignment with the Board of Directors



CEOs' alignment with the Executive Team



**From fear to courage—
Beth's journey of
transformation**

"Transformation" can be a hazy concept. To clarify what it means in practice, it's worth relating the story of "Beth," a CEO we have coached—and the first woman to lead a major global firm in her industry. She found that the hard-driving, perfectionist leadership style that had served her so well was delivering diminishing returns; it also felt increasingly disconnected from the warm, human approach to relationships that animated her life at home.

Like many of the CEOs who participated in our study, Beth acknowledged the need to self-reflect. She identified several issues that were holding her back, notably a binary split in her leadership persona: "Performance Beth" versus "Visionary Beth." The performance persona, focused on achievement and results, was crowding out her more strategic, inspirational, visionary qualities — which, when Beth gave those full voice, enthused those around her about their larger mission.

Beth's journey of transformation saw her integrate these two modalities, and in doing so build connections with her people *and* drive them to achieve. Far from requiring more effort from Beth, this shift released tension and unlocked new energy. Where before she'd been plagued by doubt and fear, now she felt more able to take risks. She was able to put down her "shield," allowing herself to be more authentic with her team and more vulnerable and truth-telling with the board. She told us recently: "That transformational journey helped me stretch to my full capacity."

More on the "Architects of Prosperity" can be found at <https://www.egonzehnder.com/ceo-architects-of-prosperity>.



The courage to take a stand: When will CEOs deliver prosperity for the many?

In their journeys of transformation, some CEOs are making bold choices—and taking a stand for a new way of doing business. Emboldened by their peers, these CEOs are joining and increasingly leading a movement. One CEO, speaking for many of your peers, told us:

“I believe business and business leaders need to think more about the changing expectations of society—the winner takes all view of business, the levels of inequality that the pandemic has exposed within and between countries, environmental change as an existential risk not a theoretical one. The world is changing and business needs to change with it.”

However, even as public expectations of business and CEOs stretch far beyond profit, the large majority of your peers continue to prioritize the financial performance of their enterprises

above all else. And, despite the novel challenges of today’s environment, two-thirds of CEOs say—surprisingly—that the metrics that steer their decisions have stayed consistent over the past several years.

In CEO decision-making, financial metrics rank first

- 1st Financial**
(e.g., profitability, TSR, share price, sales)
- 2nd Growth**
(e.g., market share, M&A, geographic expansion)
- 3rd Talent management**
(e.g., considerations linked to diversity, leadership capability)
- 4th Innovation**
(e.g., new technologies, % profit from new products, R&D budget)
- 5th Health and Safety**
(e.g., incident rates, % improvement, stress-related absence)
- 6th Environmental, Social and Governance**
(e.g., carbon footprint, diversity & inclusion, human rights concerns, social activism)



Two-thirds of CEOs said that the metrics that steer their decisions have stayed consistent over the past three years despite the growing pressure from society.

The problem, as our study shows, is that many CEOs and boards have yet to achieve clarity on the new destination they say they are trying to reach. Financial performance and shareholder value remain the predominant decision-drivers for CEOs—often because boards still focus on those metrics above all others—even if many of your peers emphasize the increasing urgency of addressing environmental and social challenges.

Whether or not CEOs are ready to make that leap—and lead their boards into a new business era—more and more parties expect them to architect “prosperity for the many.” It’s clear from our conversations that increasing numbers of your peers believe that *should* be their goal. The most forward-looking leaders are looking beyond traditional markers of performance and putting increasing focus on game-changing innovation, longer-term growth, and broader stakeholder interests.

For nearly every CEO we spoke to, the disruptions of the past year only accelerated this shift. As one said: “I think it has helped me bring greater clarity around the purpose of the organization and how I drive it. Strategically it has helped me get clear on what matters for all stakeholders. A crisis enabled me to see what was possible when the business gets aligned behind common goals.”

Bolder, more courageous CEOs are seeking new ways to achieve the best of two worlds: rather than seeing performance and transformation as trade-offs, they grasp that to **transform is to perform**. One of your CEO peers put it in the following words:

“It is a critical time to reflect on what the future should be and how we as leaders can contribute. We will be emerging from this debilitating pandemic—but will be going into the colossal impact climate change will invoke on the planet and people. Yet we have human ingenuity and innovation driving technology to new heights, allowing us to achieve unimaginable feats—much of which can be harnessed for the good. The question for us leaders is to figure out where and how we can contribute the most.”

“For me, the past year has reinforced the need to make quick decisions without becoming overbearing. It has brought the church back to the center of the village on what is important and what is not. It has stressed the need to be very aligned between personal and professional life in order to be professionally effective.”

What matters for leaders—CEOs speak

“Inspired and motivated people working in teams with great trust are the biggest asset and create magic and achieve extraordinary things. If I do not care for people all leadership is meaningless—leadership is about people. The prime objective of all human endeavor is well-being of people and life in general. If we keep that bigger objective right, we will do the right things and we will have motivated and inspired people.”

“I don’t think we know what the next decade will demand from CEOs, but I’m hopeful that it accelerates the shift to a more purpose-driven and employee-centered way of leading.”

Adaptive, relational, and self-aware: the capacities of more evolved leaders

How will CEOs navigate through complex times, realize the promise of personal and organizational transformation, and bridge the chasm between today's decision-making drivers and those that the future demands?

Egon Zehnder's work on over 2,000 CEO mandates over the past few years shows that the most successful CEOs today are those who have mastered the capacity to be *adaptive, relational, and self-aware*. These three capacities do not replace more traditional, yet equally vital, leadership strengths such as top-notch strategic skills and a relentless performance orientation—but they do require more considered attention than they have received until now.

These capacities are *interdependent*. To develop the curiosity, courage, and resilience required to be truly adaptive, CEOs need to master the relational capacity to listen, bring a broader set of stakeholders into the conversation, communicate authentically, and inspire others.

That, in turn, requires CEOs to hone their capacity for self-awareness, drawing on the help of others to illuminate their blind spots and habitual responses, as well as their sources of energy and meaning.

Until now, most business leaders have focused too little attention and intention on this interlinked trio of capacities. Yet these capacities are fundamental elements of every human being's ability to function effectively in challenging environments—and their potential to thrive as they create positive change around them.

CEOs who do so unlock a higher level of leadership—opening the aperture to new possibilities, creating new clarity of purpose, and generating energy for change and renewal. That, in turn, enables them to live up to the ambition of transforming themselves to transform the business.



Adaptive—the mindset and ability to keep evolving

“Have more courage, try more, adjust quickly if necessary.”

That’s how one CEO summed up the adaptive capacity that today’s complexity requires of leaders. Another CEO had the following advice for their peers:

“Long-term plans are good for a common goal, but don’t get too caught up in them—the market and society change too quickly. There should be no problem questioning things; don’t hold back from taking new initiatives.”

We agree. Success in today’s world calls for an unquenchable appetite for learning, foresight to predict and sense future challenges and opportunities, and the ability to respond by energizing and stretching the organization. That curiosity, and explorer mentality, open the gate to discovering the different paths forward.

In our experience, the most effective CEOs constantly seek to connect the dots, discovering patterns that tie together the challenges and opportunities facing the business, the industry, supply chains, and broader societal needs. In doing so, they discern and create the most compelling choices for how the business can provide new sources of value—now and in the future. By distributing leadership, adaptive CEOs also create space for, and challenge, their teams.

Just as importantly, truly adaptive CEOs understand what it is that they and their organizations need to *stop* doing: They acknowledge the risk of fragmented focus and they put their energy into what matters most—building a future of prosperity for more of their stakeholders. Several CEOs told us that the past year had given them some refreshing discoveries in this regard. One said: “A lot of things we thought we needed—we don’t need! When you get new insights, you have to pivot collectively.”

A key priority for the CEOs in our study—and a fundamental aspect of adapting to new possibilities—is to lift the collective ambition of their organizations. But your CEO peers reported several blind spots in this regard. These included not pacing rates of change—cited by a remarkable 80 percent of CEOs—as well as pursuing too many different ambitions. As just one of many CEOs told us:

“[I am told I apply] too high a level of ambition, too fast a pace, thus too much pressure, too little empathy and sensitivity for the other person.”

As this comment suggests, CEOs are ready to lead change and improvement, but many have not yet succeeded in inspiring the level of followership most needed now.

80%

of CEOs reported blind spots in how they pace change in their organizations.

Relational—deepening connections, broadening conversations

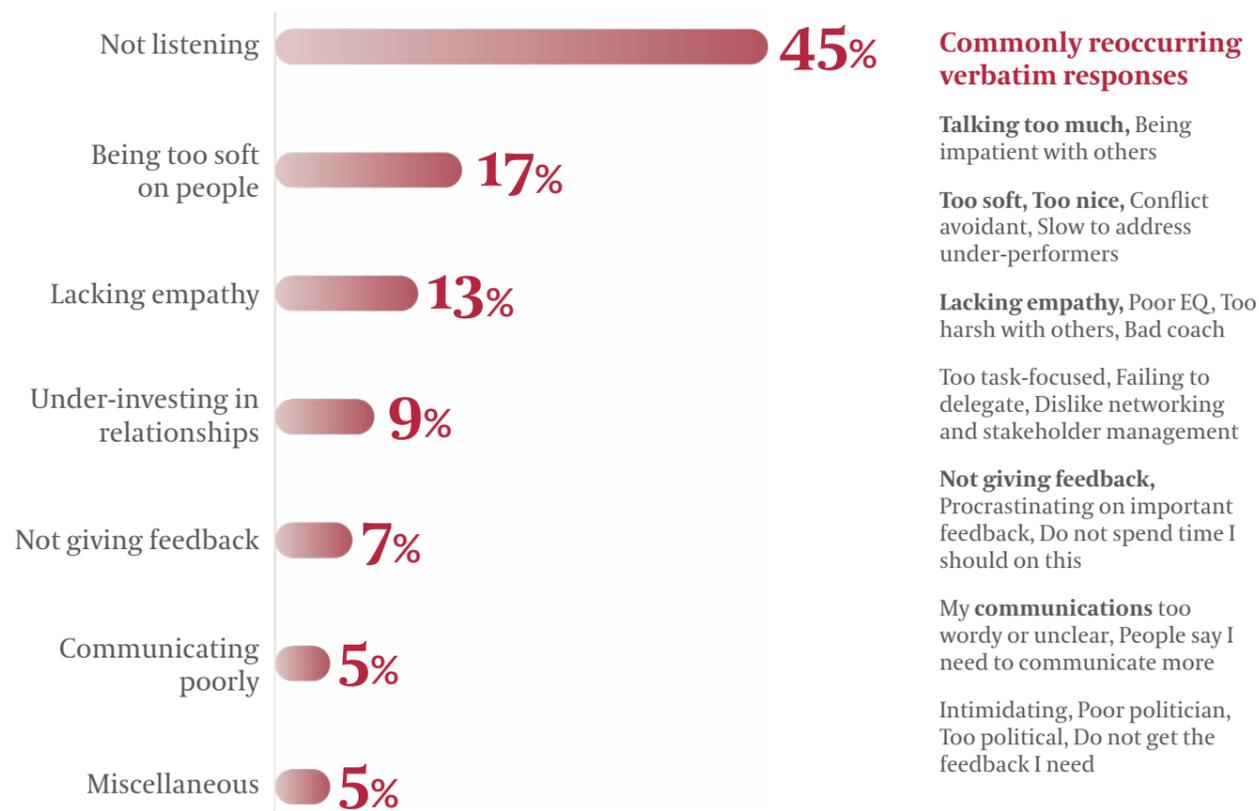
“Leadership is increasingly about humanity, sharing imperfection, being authentic and empathetic.”

This comment by one of your fellow CEOs powerfully highlighted the importance of relational skills—which include being real, listening to a broader set of stakeholders, communicating with curiosity and empathy, and building mutual trust and respect. And when

we asked your peer CEOs about their energy for cultivating and nurturing relationships, most put the greatest focus on relating to others with empathy and authenticity.

We should emphasize, though, that authentic relationships can and must encompass honest dialog and hard truths. They also embrace give and take *in equal measure*—a crucial insight for CEOs, who face constant demands from many stakeholders. Effective CEOs give with empathy and inspiration, *and* they are unapologetic in asking for commitment and performance.

CEOs say their biggest blind spot is not listening



Base: 500 group CEO verbatim comments that mentioned Relational issues



By their own assessment, CEOs have a long way to go in honing their relational capacity. Some 500 CEOs, more than half of all respondents, reported what we might call a relational deficit—an eye-wateringly honest response. When leaders shared recurring feedback they receive, the top admission CEOs made was a tendency not to listen. They either used those exact words or highlighted behaviors that preclude listening, such as being hot-tempered, talking too much, and—by far the greatest concession—displaying general impatience with those around them.

While it may be customary for those at the top of their game to regard impatience as a forgivable shortcoming, we believe it is the single greatest impediment to listening.

In the experience of many CEOs we have worked with, investing in greater self-awareness is the route to unblocking such relational challenges—and to thriving in today’s more complex environment. Listening effectively makes it possible to sense more inclusive, far less obvious solutions; it therefore rests at the heart of becoming highly adaptive.

These blind spots are normal and natural—and a reminder that relational capacities are the “weakest link” for many leaders.

Self-aware—becoming more honest, open, and independent

“The past year has made me more aware of the need to find space to recenter and refocus.”

Those were the words of one CEO, and many others concurred: Among your fellow CEOs, eight in ten now say they find it essential to reflect on their own leadership style and impact. That’s a reminder that leading change starts by looking inward and listening attentively, cultivating an honest, open and independent sense of self-appraisal, and committing to continued learning and personal growth.

In our own work in coaching CEOs and preparing new candidates for the role, we find we’re called on increasingly to help them awaken this self-awareness. That includes prompting them to really stop and ask themselves a new set of questions that surface their blind spots—and consider how they will stretch themselves first before they try to stretch others past the comfort zone to a more adaptive response. It also involves learning to let go of patterns that might have influenced their behavior for years—such as the fear of not being seen as successful.

How are your CEO peers cultivating greater self-awareness? Compared to three years ago, CEOs today are less satisfied with the amount of feedback they receive. To address this, they are seeking more frequent, honest feedback from all sources—leadership teams, Chairs, family members, other CEOs, consultants, and mentors.

It’s interesting to note that female CEOs are doubling down on gathering feedback from a wide range of sources, and are significantly more likely than their male counterparts to seek guidance from fellow CEOs, mentors, and family members.

78%
of CEOs said they find it essential to reflect on their own leadership style and impact, up from 66% in 2018.

CEOs are self-reflecting—and seeking more feedback from all sources



The dual journey

The commitment to feedback, learning, and reflection powerfully underscores CEOs' realization that they must transform themselves in order to transform their organizations. Increasingly, your peers grasp that, for their businesses to grow and evolve, they must grow and evolve as leaders.

We call this the dual journey—and our study makes it clear that it has intensified over the past year. We find it remarkable, and hugely encouraging, that nearly 100 percent of CEO respondents agree that they need the capacity to transform themselves as well as their organizations. As one of your CEO peers said:

“We should have the capacity to transform ourselves. That allows us to tap into our sixth sense, anticipate sooner, and get the company positioned better to stay out in front. It’s about getting up early and looking at what’s going on in the world—which will sometimes trigger questions that go deep into the organization.”

CEOs who master the capacity to be adaptive, relational, and self-aware can use their unique vantage point, enriched by insights from their teams and stakeholders, to grasp new opportunities and tackle complex challenges. They recognize that apparent polarities between people and profit, if approached creatively, are the engines of value and not just problems to be solved. And they can travel the path from old to new models of operation, inspiring their organizations and navigating them through the transition.

Egon Zehnder's 2021 CEO study

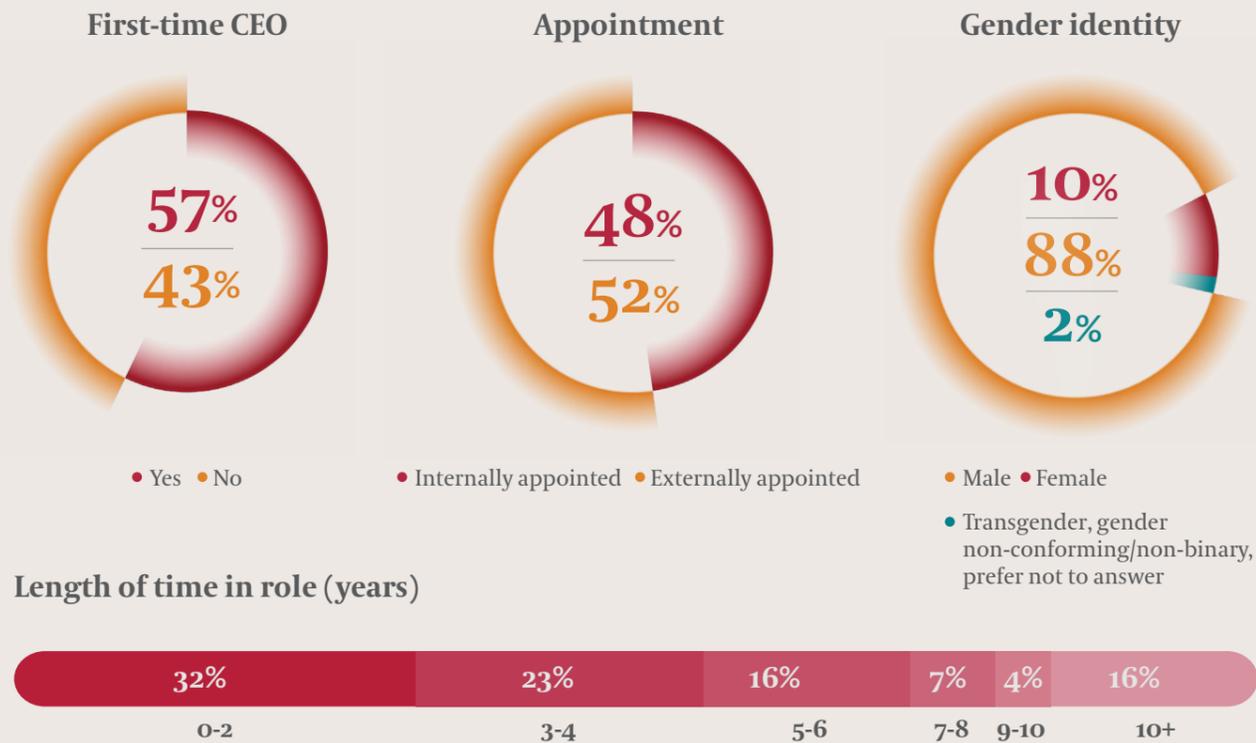
Reflecting huge interest in the changing demands of CEO leadership, our 2021 global CEO study engaged 972 respondents—more than twice the number in the previous round in 2018. Going far beyond box-ticking, these CEOs provided more than 5,000 individual, qualitative reflections.

every type of company ownership. They include nearly 100 female CEOs.

And they range from long-tenured to freshly appointed CEOs. Together their companies earned nearly \$4 trillion in revenues last year.

Participating CEOs represent every major industry and region, both larger and smaller firms, and

Our 2021 survey engaged 972 CEOs—more than twice the previous round



In this research effort, it has been our immense privilege to elicit personal reflections and insights from so many CEOs, across every industry and region. We hope this report has given you some food for thought about your own leadership, and the bigger objective that you are driving towards for your organization, your stakeholders, and society.

We also hope the broader conversation about the transformation underway in CEO leadership continues to receive the attention it needs and deserves. Your peers have much more to say on the topic; as we share more of these insights, we would love to hear from you. Please don't hesitate to get in touch with us or our colleagues.

*With thanks and best wishes,
Egon Zehnder*

To learn more, please go to www.egonzehnder.com/it-starts-with-the-ceo or contact us for a personal conversation at ceo@egonzehnder.com

About Egon Zehnder

Egon Zehnder is the world's preeminent leadership advisory firm, inspiring leaders to navigate complex questions with human answers. With more than 55 years of experience advising clients on chief executive leadership, we know that the selection of a CEO is the midpoint of a process, not the end. That's why we partner with our clients to deliver comprehensive and effective CEO transition, succession, development and onboarding support. We help organizations get to the heart of their leadership challenges and offer honest feedback and insights to help leaders realize their true being and purpose. Our 525 consultants across 63 offices and 37 countries are former industry and functional leaders who collaborate seamlessly across geographies, industries and functions to deliver the full power of the Firm to every client, every time.

We believe that together we can transform people, organizations, and the world through leadership.

For more information visit www.egonzehnder.com and follow us on **LinkedIn**, **Twitter**, and **Instagram**.

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