

News Release

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Release #6063

In 2019, CEOs are Most Concerned About Talent and a Recession

CEOs appear confident about their organizations being able to thrive in 2025

NEW YORK, January 17, 2019...A new global survey reveals that CEOs view a recession as their biggest external concern for 2019. They cited attracting and retaining talent as their top internal concern.

Conducted each year by The Conference Board, the findings from *C-Suite Challenge 2019™* also show that CEOs feel particularly uneasy about issues including global political instability, leader development, and trade. The report is based on a survey of over 800 CEOs and over 600 other C-Suite executives, primarily from the United States, Asia, and Europe. Participants weighed in on the top business challenges facing their organizations in both the year ahead and well into the future, and their strategies for meeting those challenges.

External CEO Concerns for 2019

The survey asked both CEOs and other C-Suite executives about their external concerns for 2019.

Key findings include:

Recession fears re-emerge

- Globally, CEOs rank a recession as their #1 external concern for 2019.
- Just a year ago, in 2018, they considered a recession as an afterthought, ranking it their 19th concern.

Trade threats are a top concern

- Globally, threats to global trade came in as the 2nd biggest external concern of CEOs.
- U.S. CEOs rank this issue 4th; China's CEOs rank it 2nd.

Global political instability is top of mind for Europe's executives

- Europe's CEO's rank global political instability as their #1 external concern. Globally, it ranks 3rd.

Cyber security is rattling America's CEOs...much more than China's CEOs

- U.S. CEOs rank cyber security as their #1 external concern for 2019. China's CEO rank it as their 10th.

EXTERNAL HOT-BUTTON ISSUES	CEOs Overall	US	Europe	Japan	China	Latin America	Other C-suite
Recession risk	1	3	2	1	1	1	1
Threats to global trade systems	2	4	5	3	2	8	2
Global political instability	3	6	1	1	3	3	5
New competitors	4	2	4	4	7	5	3
Declining trust in political and policy institutions	5	5	3	6	6	4	6
Cyber security	6	1	6	8	10	7	4
Currency volatility	7	11	8	11	5	2	7
Rising interest rates	8	7	9	9	11	6	10
Uncertainty in corporate tax policies	9	10	10	12	4	9	12
Income inequality	10	8	12	7	9	11	11
Impact of climate change on our business	11	9	13	5	12	10	9
Volatility in energy prices	12	13	11	10	8	12	8
Effects of Brexit	13	14	7	14	14	13	13
Terrorism	14	12	14	13	12	14	14

N = 795 N = 132 N = 317 N = 79 N = 118 N = 31 N = 591

Internal CEO Concerns for 2019

The survey also asked both CEOs and other C-Suite executives about their internal concerns for 2019. Key findings include:

Talent quality and leader development are top internal concerns

- Globally, across all regions, CEOs rank attracting and retaining top talent as their #1 internal concern.
- Developing the next generation of leaders is the 3rd internal concern for CEOs globally.

Anxiety around digital technologies is clearly being felt

- Globally, CEOs say their 2nd biggest internal concern is creating new business models due to disruptive technology.
- Compliance with data privacy regulations scores relatively high in Europe at 8th, compared to 10th globally.

China's executives see different business issues beyond the human capital challenges

- Better alignment of compensation and incentives with business performance becomes more important in China as wage pressures increase. It is their 2nd main internal concern for 2019, whereas globally it is 4th.
- Volatility in cash flow as the 4th internal challenge for Chinese businesses reflects rapid changes in business financing as government restricts funding.

INTERNAL HOT-BUTTON ISSUES	CEOs Overall	US	Europe	Japan	China	Latin America	Other C-Suite
Attraction and retention of top talent	1	1	1	1	1	1	1
Creating new business models because of disruptive technologies	2	2	2	3	3	2	2
Developing Next Gen leaders	3	3	3	2	5	4	3
Better alignment of compensation and incentives with business performance	4	6	6	9	2	6	6
Reduction of baseline costs	5	4	5	5	7	3	4
Volatility in cash flow	6	7	10	11	4	7	9
A more an effective performance measurement system for employees	7	9	7	6	6	5	7
Managing mergers & acquisitions	8	5	4	7	8	13	5
Workforce diversity	9	10	9	4	11	11	8
Compliance with data privacy regulations	10	12	8	13	13	8	10
Wage increases	11	11	11	8	10	9	12
Labor relations	12	14	12	10	9	10	11
Providing healthcare benefits for employees	13	7	14	12	12	12	13
Abusive behavior in the workplace	14	13	13	14	14	14	14

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“While CEOs are quite anxious about the external challenges the global economy poses to their businesses right now, the survey results suggest they’re aware of the need to stay focused on the longer-term disruptive forces impacting their future go-to-market plans,” said Bart van Ark, Ph.D., a report author and Chief Economist of The Conference Board. “That awareness reinforces the need to continue the development of new business models, a strategy that will be tempting to neglect if and when the economy starts slowing.”

“As global competition increases while the pool of available workers decreases, it comes as no surprise that executives cited talent as a top issue in 2019 that’s keeping them up at night,” said Rebecca Ray, Ph.D., a report author and the Executive Vice President of Human Capital at The Conference Board. “Moreover, they think talent shortages will only intensify beyond 2019, which underscores why organizations should constantly reexamine how they’re attracting and retaining their best and brightest.”

The Organization of the Future: How CEOs Plan on Succeeding in 2025

In addition to gauging concerns for 2019, the survey also asked CEOs and other C-Suite executives about what they think the organization of the future will look like and how they plan on succeeding. Key findings include:

CEOs seem confident about their organizations being able to thrive in 2025

- **Globally:** CEOs are most confident that they have the right culture in place to succeed in 2025.
- **U.S:** America's CEOs have the highest confidence level in their culture of any region globally.
- **China:** Compared to peers globally, CEOs in China have the highest overall confidence. They're most confident of any country or region regarding leaders and talent.

CEOs recognize the customer experience is starting to trump the actual product

- Worldwide, CEOs agree they need to address the shifting customer landscape. The customer of the future will place more value on the experience of using a product or service rather than the actual product or service.
- Globally, two-third of CEOs say they will need to emphasize servitization, providing services and solutions that supplement traditional product offerings.

"CEOs sense fundamental changes coming in the expectations and preferences of future customers," said Chuck Mitchell, Executive Director of Knowledge, Content, and Quality at The Conference Board and an author of the report. "They see the importance of moving from a product-central approach to servitization to enhance the customer experience. This approach turns customers involved in one-time transactions into 'users' who seek continuous interaction with the firms they deal with. But that bar is high since they are now competing with the best experience a consumer has had with any company, regardless of product or service. It widens the field of competitors in unexpected ways."

The extreme balancing act: long-term vision versus short-term performance

- As the economy starts slowing, the temptation will be to cut long-term investments to boost short-term results. If organizations pull back too much, they will be behind the curve when the economic downturn ends.
- CEOs see getting this balance right as the top, #1 hallmark of operational efficiency in the coming years.

CEOs globally see more regulation on the horizon, but less so among America's CEOs

- Overall, CEOs globally expect more regulation. They expect the most in data privacy protection (84%), environmental impact (80%), unmanned aerial vehicles (72%), and autonomous vehicle technology (71%).

Work redefined: The challenge of valuing and rewarding work done in teams

- Human Capital executives rank the development of agile project teams as their #1 approach to successfully managing future workforces. CEOs have it 3rd, and CFOs have it 5th.
- However, HR executives and CEOs not prioritizing a companion strategy to developing agile teams — effectively evaluating and rewarding work done in teams — is a possible red flag. As teams become a centerpiece of human capital strategy, companies need to emphasize the collaborative aspect of culture.

When it comes to investing in leaders of the future, CEOs believe that "broader is better"

- Along with improving formal leadership development programs, CEOs want their organizations to provide more cross-functional rotational opportunities for high potentials.
- However, organizations may be missing a critical piece of the development puzzle: exposing leaders to digital experiences as part of their development. Less than one-third of CEOs globally rate this as one of their top three leadership development priorities and only about one in five in the U.S. do so.

Media can contact The Conference Board for a copy of the new report: joseph.dibiasi@conference-board.org

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