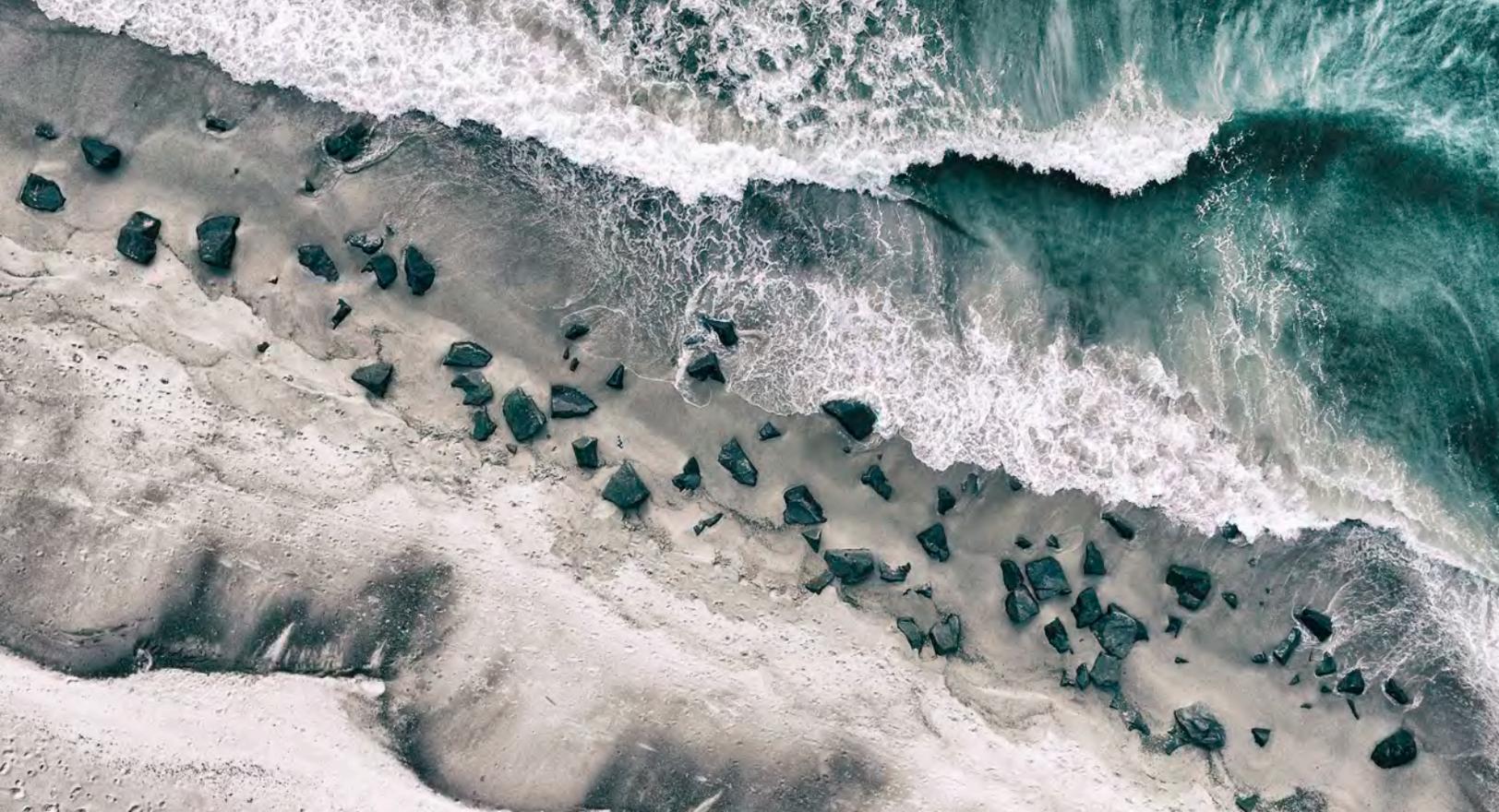


# 2021 Global Leadership Monitor

Leadership preparedness for  
the road ahead



# A year like no other

The last year has been one of monumental change for business leaders across the world. Defined by a global pandemic, economic concerns, political strife and social unrest, it has presented unique challenges and stretched individual and collective leadership capabilities. It has added energy to discussions about the purpose of business and its responsibility not just to shareholders but to all stakeholders, especially employees. And for almost all organizations, it has accelerated shifts in business models and ways of working.

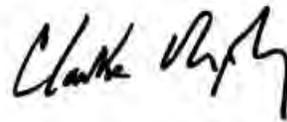
It is against this backdrop that we launched our 2021 Global Leadership Monitor, designed to identify top business issues and measure how well prepared leaders are to face them. We received responses from more than 1,300 CEOs, C-suite executives, board directors, and next-generation leaders (those one or two levels below the C-suite). Collectively these leaders represent 53 countries, a range of industries, and both public and private companies.

Amid the many challenges ahead—uncertain economic growth, health threats, changes in consumer behavior and technological disruption—a prominent theme that emerged from the responses of these top leaders was the importance of leadership capability and culture.

Leaders are concerned about talent and skill availability impacting organizational health, and many feel their leadership team is underprepared to face up to that threat. We know that younger generations in the workforce are more vocal about being purpose-oriented in what they want from their careers, yet our data shows that many executives lack confidence in how effectively their organization's leadership team (which includes themselves) is embracing social and environmental sustainability and diversity, equity and inclusion.

Moreover, next-generation leadership talent - who potentially hold the key for many organizations to truly embed purpose into strategy and culture - may be a growing retention risk for organizations. Our data shows they are both open to new opportunities elsewhere and have lower confidence in the robustness of C-suite succession strategies at their organizations.

To succeed in the years ahead, our research suggests leaders would benefit from recalibrating their understanding of what good leadership is, and they must take steps to evolve leadership capability and culture.



**Clarke Murphy**

Chief Executive Officer

Russell Reynolds Associates

# 2021 Global Leadership Monitor: Key Findings

## External threats to business (pages 4-6)

**Health challenges slowly recede, but talent concerns loom large.** Asked about the external factors that will most impact the health of organizations across the next 12-18 months, 59% of leaders cited the availability of key talent and skills. This was second only to uncertain economic growth. Notably, of the top five factors cited by leaders, the talent factor was the one fewest felt prepared to face. To avoid risk to business strategy, organizations need to ensure their leaders have the capability and the requisite support to attract, engage and retain great talent.

## Stakeholder impact on business strategy (pages 7-8)

**Employees beat out investors as stakeholders that will most impact organizational strategy over the next five years.** The concept that organizations need to consider multiple stakeholders in how they run their business is now firmly rooted in business discourse. While consumers/customers were the stakeholders most frequently cited by leaders as being among the top three stakeholders that will impact strategy across the next five years, employees occupied the second spot, beating out both investors and the board. Are leaders and their successors prepared to lead an employee base that strives for purpose and holds a high bar on the organization's impact on the environment and society?

## Leadership confidence (pages 9-12)

**Leaders are bullish on their pandemic response but less confident in their top team's ability to engage with ESG, DE&I and leadership behaviors.** While 91% of leaders were very positive on their leadership team's response to the COVID-19 pandemic, their point of view on the issues of digital transformation, ESG and DE&I was both less positive and more divergent. For example, 74% of CEOs and board directors agree the leadership team is effectively embracing the opportunities of ESG, but only 57% of other C-suite executives do.

This data points to possible disconnects within leadership teams as well as between management and the board.

**The board's ability to provide effective advice and counsel to management is crucial. Unfortunately, management does not always feel that this is what they are getting.** Nearly 4 out of 10 CEOs and C-suite leaders do not believe that they receive good advice and input from the board.

These fracture lines can be difficult to manage but are essential to repair. Ensuring that the leadership team and the board operate in a cohesive manner, rather than as a collection of individuals, is now more critical than ever.

## Talent mobility (pages 13-14)

**Interest in new opportunities strengthens, while confidence in succession strategies is low.** How the pandemic is affecting talent mobility is an important question for organizations to consider. Our analysis shows that 61% of C-suite executives and 73% of next-generation leaders would be willing to change their employer for the right opportunity (up 5 and 8 percentage points respectively from prior to the pandemic to today). Importantly, when we ask leaders about succession strategies, just 38% agree that the executive leadership team has a successful strategy for C-level succession.

The skepticism of executives in the robustness of succession strategies should be a cause for concern given the strong opportunities available to many talented leaders in the external market. Organizations need to establish the cause of this concern and either close communication gaps around succession planning or improve the robustness of their plans.

# External threats to businesses

COVID-19 is slowly receding, but talent concerns loom large

## Global executives' top five concerns are ...

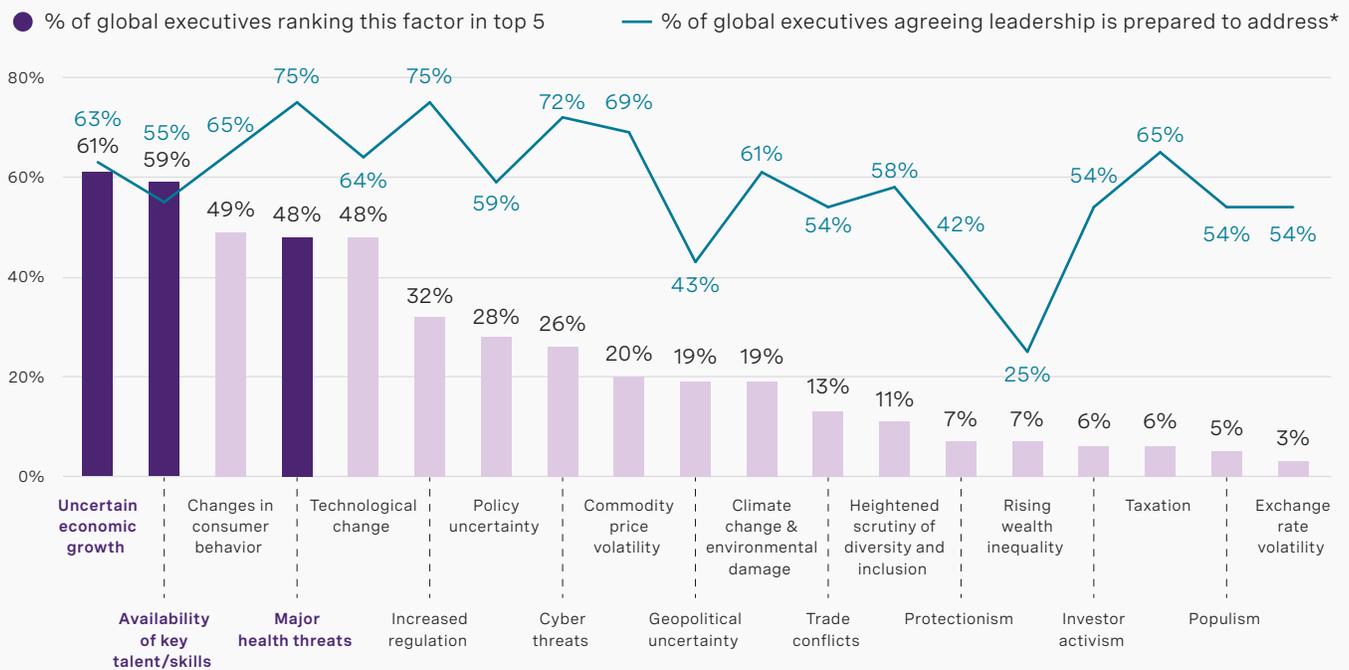
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Reviewing a range of external factors, business leaders selected the top five that they believe will most impact the health of their organization over the next 12 to 18 months. We then asked them to indicate how well prepared their organization's leadership team is to address those threats.

Leaders feel relatively prepared to tackle each one of these with an important exception: a lack of key talent and skills (see Figure 1).

**Figure 1: External factors impacting organizational health over next 12-18 months and leadership's preparedness to address them**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

\* Respondents were only asked to rate their leadership team preparedness if they selected the factor as a top 5 issue

### Major health threats: Pushing past COVID

Over one year into the global pandemic, the health and safety challenges associated with COVID-19 are not seen as the number one threat to business; instead, major health threats land at number four in our ranking. Many executives are proud of how their leadership teams have handled the challenge so far, with 91% agreeing that their organization's leadership has dealt effectively with the COVID-19 pandemic. In addition, 75% express a high sense of confidence in their organization's leadership preparedness to deal with major health threats going forward.

### Uncertain economic growth: Good levels of preparedness despite uncertainty

Looking ahead, business leaders see the uncertainty of economic growth as the greatest potential threat to their businesses. This apprehension is fair, given the estimated 3.5% contraction in 2020 global GDP<sup>1</sup>—the largest drop since 1946. Yet the majority of business leaders (63%) remain optimistic, feeling confident that their organization's leadership is prepared to address the economic uncertainty. In many cases, this may be due to business leaders' previous experience weathering global economic storms and their success in coming out of them stronger than they entered.

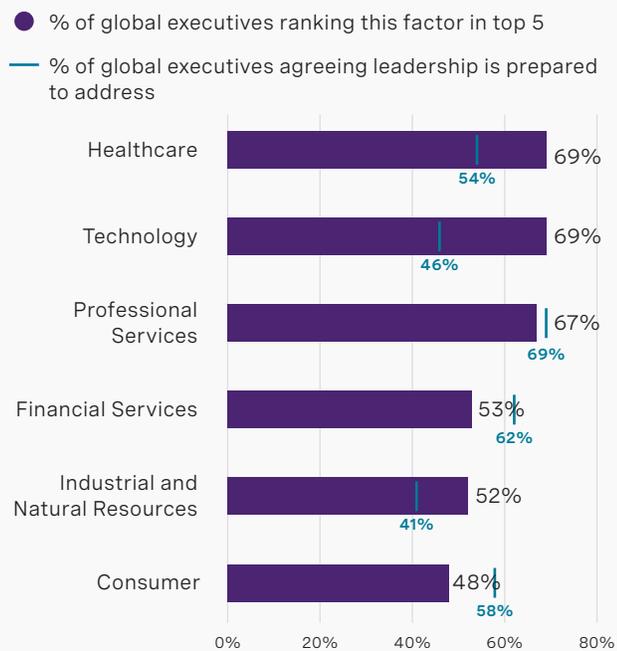
### Availability of key talent and skills: A potential stumbling block for many

Availability of key talent and skills was the second-most commonly cited threat for the coming year—and the top issue leaders said their organizations are least prepared to address. Nearly 60% named it a top-five concern, while just 55% believe their leadership team is well prepared to respond to it. The skills gap is a global issue that many say has been accelerated due to the pandemic and is attracting renewed energy as the health situation recedes into the background. Other commonly noted threats shed light on which skills will be most critical, namely, keeping up with changes in consumer behavior, technological change and increased regulation.

## The availability of key talent and skills by sector

While talent and skills gaps threaten all sectors, business leaders in healthcare, technology and professional services are feeling them most acutely (see Figure 2). In terms of being prepared to address the challenge, leaders in the technology and industrial/natural resources sectors feel comparatively flat-footed.

**Figure 2: The availability of key talent/skills impacting organizational health over next 12-18 months and leadership's preparedness to address them**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

The pandemic has indirectly accelerated the widening skills gap by catalyzing digital transformation. While many organizations quickly figured out how to operate remotely and maintain business continuity with a limited number of on-site employees, the pressure on business models has been acute and cause for many organizations to dramatically accelerate technology investments. Demand for professional and leadership talent with digital capability has risen as a result, and companies are working hard to acquire and retain critical talent while also taking steps to reskill current employees for next-generation needs.

“High investment levels and new opportunities mean healthcare companies are in a state of transition. This places pressure on talent. Disciplines like medical affairs and patient advocacy are fast evolving into strategic assets while new data science and digital roles emerge. At the leadership level, there is an urgent need for pragmatism, agility, entrepreneurial spirit and a focus on purpose.”

Dana Krueger, head of Russell Reynolds Associates' Global Healthcare Practice

“The demand for top-notch talent in leading-edge technology disciplines such as AI/data science, cloud architecture, IOT/edge, blockchain and cybersecurity far outstrips the available supply, even in traditional technology hubs such as Silicon Valley. To attract and retain the new generation of top talent—which tends toward high-reward tours of duty rather than long-term career progression—companies need to rethink their approaches.”

David Finke, consultant in Russell Reynolds Associates' Global Technology Practice

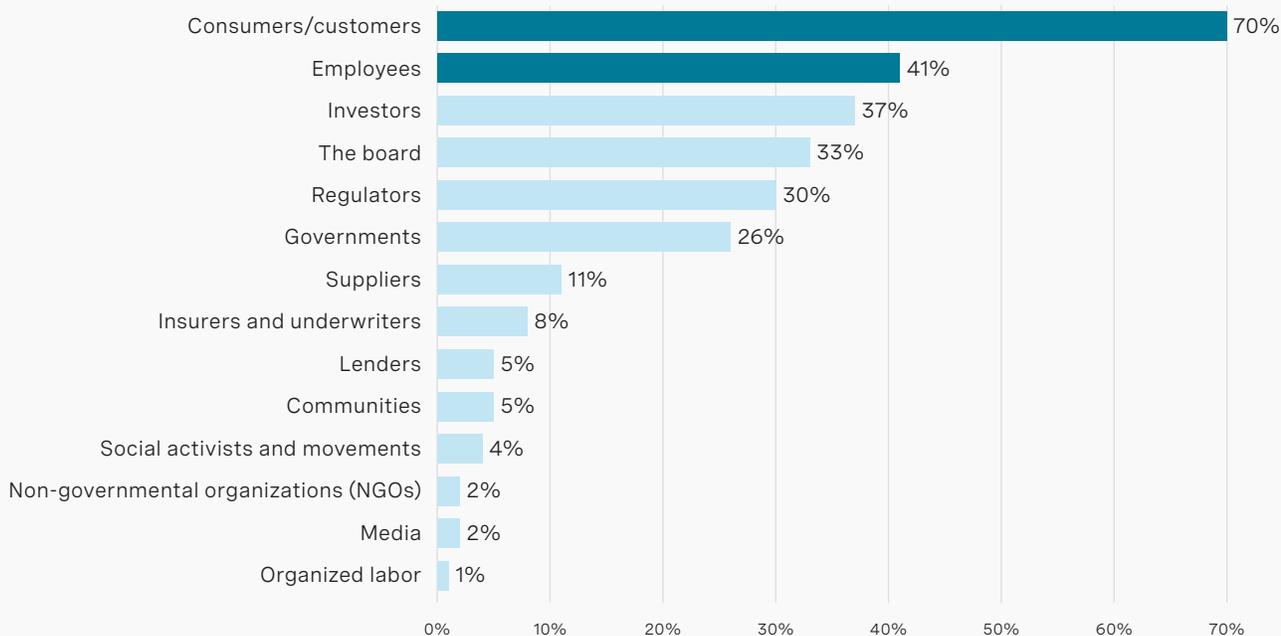
“As industrial companies grapple with the acceleration of digital transformation and the pressures of sustainability, we see heightened demand for innovation skills and visionary leadership capability. Leadership teams will need to think both about the technical skills they need to acquire and how they as leaders can create the culture to capitalize on those skills.”

Steve Morse, co-head of Russell Reynolds Associates' Global Industrial and Natural Resources Practice

# Stakeholder impact on business strategy

While customers take the number one spot, employees notably beat out investors as the second most important stakeholder group

**Figure 3: Stakeholders most impacting business strategy over next 5 years, % selected by global executives**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

Note: Respondents were asked to select the top 3 most important stakeholders from the list shown in the graph

## Customer centricity

Across geographies and sectors, the focus on customers has intensified and business leaders are feeling this pressure. When asked to select the top three stakeholder groups that would have the greatest impact on their business strategy over the next five years, 70% of business leaders selected consumers and customers (see Figure 3), a finding that is consistent across all regions and across all sectors.

Taking a step back, it is important to note that every company has customers, whether they are consumers, clients, patients, bankers or buyers. To build and maintain market share, organizations must now find new ways to listen to and engage with these customers. The need is all the more urgent in light of ubiquitous digital tools that expand customers' power in purchasing decisions across all industries, as Russell Reynolds Associates identified in our recent paper [What Do You Do When Your Customers Are More Advanced Than You Are?](#)

This changing power dynamic demands customer-centric leadership that can help fight disruption in the market. Such leaders also need to gain alignment internally to enable the company to be more innovative externally. As our research shows, customer-centric leaders are driven by a growth agenda and have four distinctive traits: They are disruptive thinkers by nature; they are calculating about when to take a risk; they exert influence over the organization; and they are engaging leaders who build strong teams.

## Employees on the up

While it is perhaps unsurprising that consumers and customers dominate the list of stakeholders, the fact that employees (cited by 41%) take the second spot ahead of investors (cited by 37%) and the board (cited by 33%) is both noteworthy and important from a leadership standpoint (see Figure 3).

This finding indicates that leaders are increasingly aware of the influence that employees can exert over public discourse, with social media a ready platform for airing concerns. From this discourse, it has become clear that the next generation of talent expects employers to have a higher purpose than just making profits, including prioritizing DE&I and sustainability, among other social issues. These areas are notably ones where leaders have less confidence in their strategies (see Figure 4).

Leaders must pay attention to the full range of employee issues, or they risk suffering serious talent acquisition, engagement and retention challenges. Success on this front is not simply a matter for human resources or internal communications leaders; instead, it is a matter of broader leadership capability and culture. Our model of the Sustainable Leader (see sidebar) defines the differentiating behaviors of leaders who have effectively embedded sustainability into business strategy and leadership culture.

### Sustainable Leader Model

Our research into Sustainable Leaders identified four leadership attributes that are underpinned by a sustainable mindset:



Multilevel Systems Thinking



Stakeholder Inclusion



Disruptive Innovation



Long-Term Activation

Read more about our model of the Sustainable Leader in [Leadership for the Decade of Action: A United Nations Global Compact-Russell Reynolds Associates study on the characteristics of sustainable business leaders](#).

# Leadership confidence

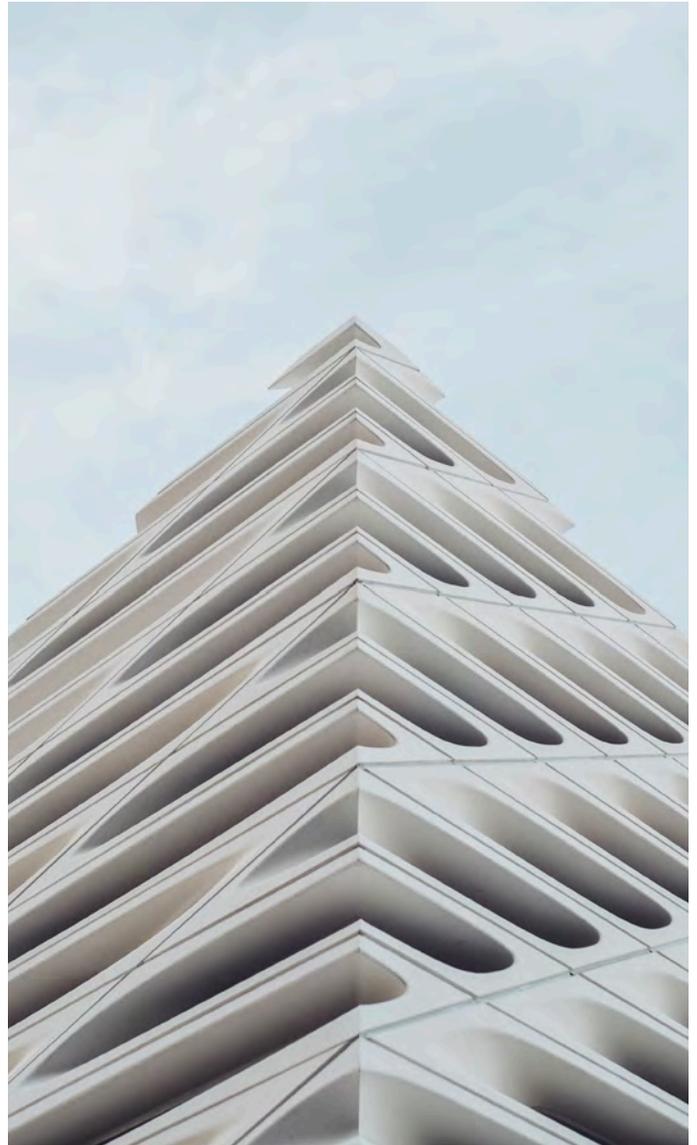
Leaders are bullish on their pandemic response but less confident in their top team's ability to engage with ESG, DE&I and leadership behaviors

We set out to understand how leaders at different levels of the organization view their top executive team. In many cases, this means getting an insider perspective, with a CEO or C-suite leader rating their own team; in others, it is the perspective of their direct reports or board members. Board directors in this analysis are by definition not currently serving as a sitting executive in any organization. Given the importance of the leadership team's relationship with the supervisory board, we also evaluated executives' confidence in their board directors.

In all cases, we looked to measure confidence in the leadership groups on a range of issues that broadly fall into four categories: the response to current business issues, the collective strategic capability, the behavior of the leadership team, and the ability to effectively gather and share information. We then created a benchmark that averages their confidence across all four categories to help calibrate sentiment within individual categories and better delineate between positive and negative responses.

In general, board directors and CEOs were most likely to rate the executive team highly, while next-generation leaders tended to be more critical. We also found that C-suite members and next-generation leaders were less positive about their board members.

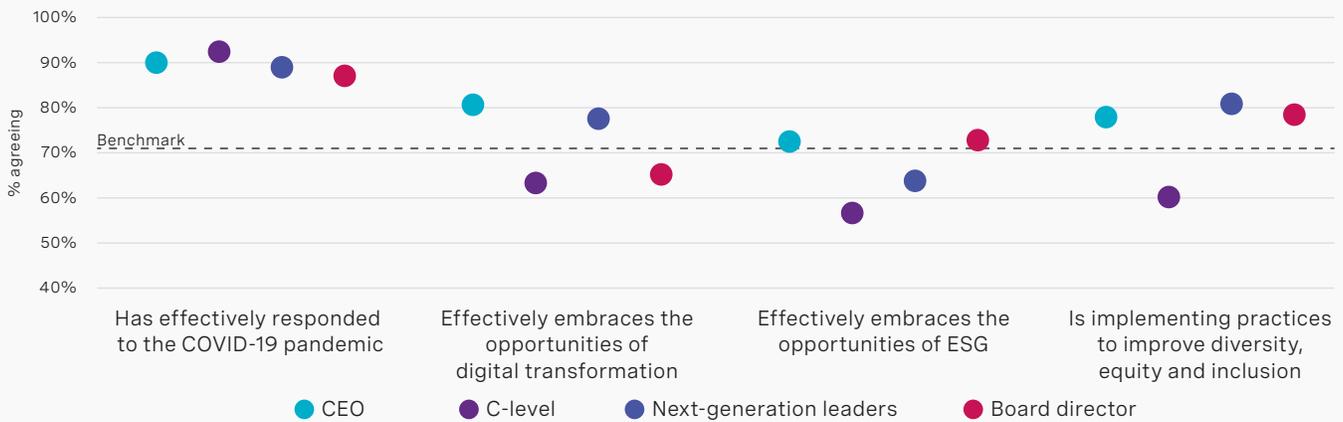
Looking at specific issues and capabilities, we highlight areas where the gaps between self-perceptions and others' perceptions are large enough that they may be indicative of tension within management or between the board and management.



## COVID-19 response is applauded, but expectations for handling other emergent issues are soft

Confidence in COVID-19 responses was significantly above the benchmark across all groups. However, sentiment about how leaders have handled other current priorities such as ESG, DE&I and digital transformation is mixed. Notably, C-level executives are much less confident than others in the response efforts of their peers, rating each significantly below the benchmark (see Figure 4). Since these areas are typically overseen by C-level leaders, their limited confidence may come from a more realistic and less idealistic vantage point than that of others.

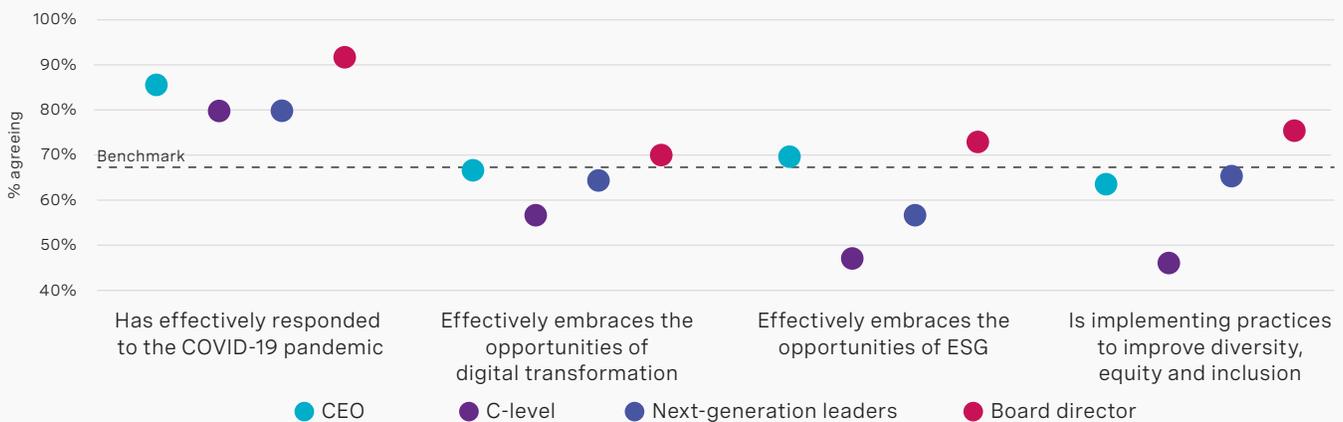
**Figure 4: Confidence in executive team issue response, by leadership role**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

The sentiment is similar towards the board's response to ESG and DE&I, which executives feel is also soft (see Figure 5). While CEOs are generally positive about their team's and the board's ESG approach, CEOs have less confidence around the board's efforts to improve DE&I compared to the executive team's efforts. This low confidence is notable given the growing conversation about what the board's role in the organization's DE&I efforts should be, alongside growing pressure from stakeholder groups including investors, employees, and the public to hold the board accountable for DE&I progress in their organizations.

**Figure 5: Confidence in supervisory board issue response, by leadership role**

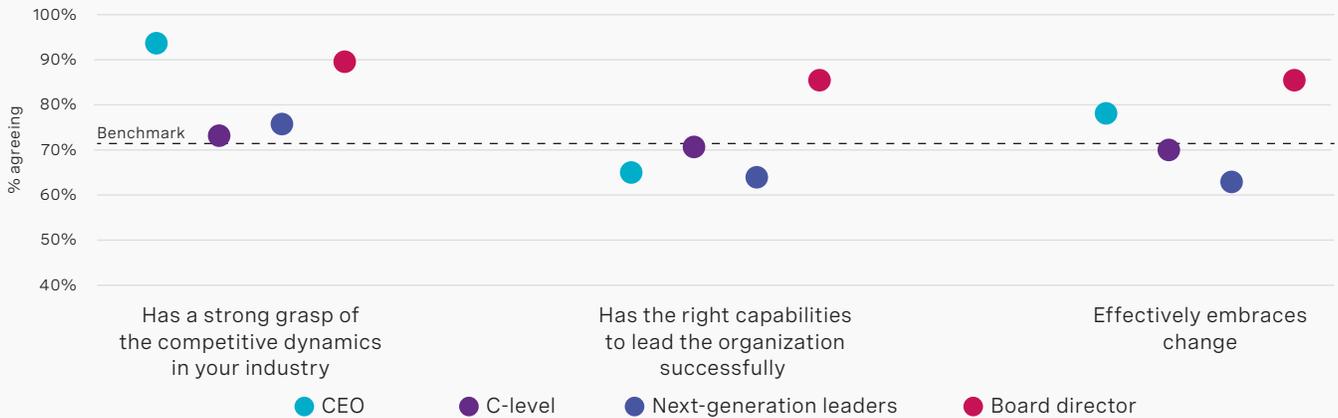


RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

## Capability broadly good, but behavior a concern for next-generation leaders

We analyzed three areas of strategic capability for the executive leadership team: having a strong grasp of competitive industry dynamics, having the right capabilities to lead the organization successfully, and effectively embracing change. The majority of board leaders have a positive view on all three dimensions. While CEOs were particularly likely to be bullish on the first, they along with next-generation leaders were below our benchmark on the capabilities to lead the organization successfully. Next-generation leaders were much less likely than CEOs to agree that the leadership team effectively embraces change (see Figure 6).

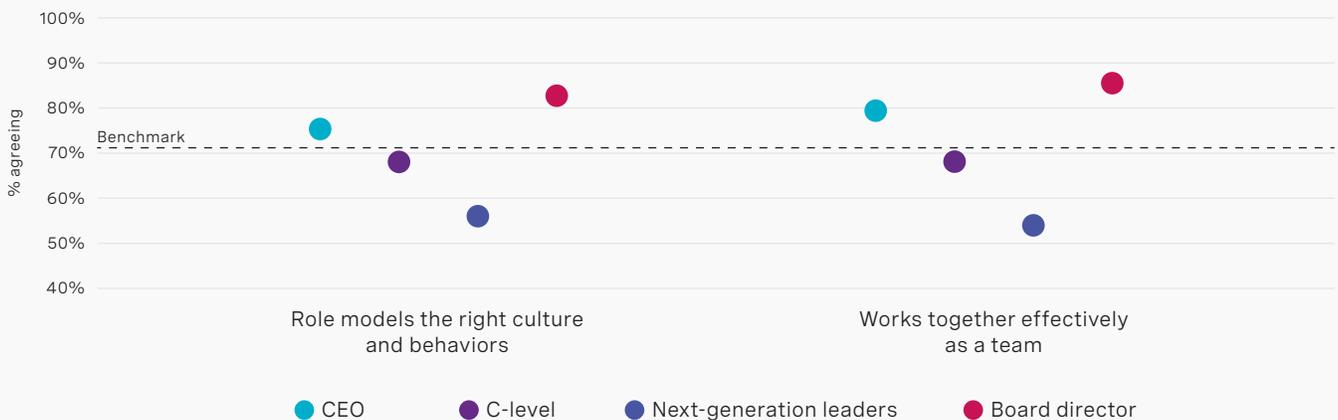
**Figure 6: Confidence in executive team strategic capability, by leadership role**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

Our analysis of two measures of leadership team behavior reveal a linear association between position in the organization and the sentiment toward the executive teams' behavior. While CEOs and board directors are confident about the role modeling and effective teaming of the executive teams, the behavior is perceived less positively by C-level leaders and even less so by next-generation leaders (see Figure 7). The fact that so few next-generation leaders agree that the executive team role models the right culture and behaviors should be of particular note given the increased scrutiny that leaders are under from investors, employees and other stakeholders.

**Figure 7: Confidence in executive team behavior, by leadership role**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

## Management often unsure of quality of board's advice and input

Executives across all levels offer significantly below-benchmark evaluations regarding the quality of advice and input that they receive from the board. Board directors, on the other hand, almost universally believe that the information they provide to the executive team is good, with significantly above-benchmark ratings (see Figure 8). This wide gap between perspectives suggests that the executive team and the board hold very different expectations for what input and advice the board should provide the management team.

In practice, we have observed that boards are becoming increasingly active on topics traditionally seen as management's domain. "In an era when investors are exerting direct or indirect pressure on boards, we have seen directors feel more responsible for the practices in the company, which leads them to get more closely involved," observed Dean Stamoulis, a senior member of Russell Reynolds Associates' Board and CEO Advisory Partners Practice. "Management teams sometimes see this as an overstep and an overreach of the board's mandate, while the board feels justified in their actions."

Moving forward, it will be essential to repair these fracture lines, as the board's ability to provide effective advice to management is now more crucial than ever.

**Figure 8: Confidence in executive team information flow, by leadership role**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

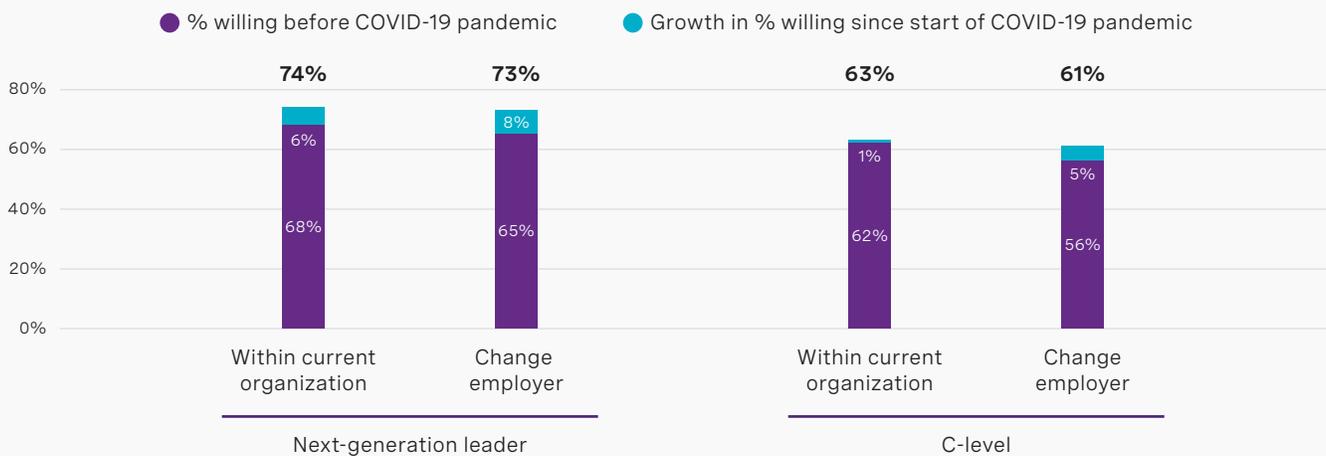
# Talent mobility

## Interest in new opportunities within and outside of business leaders' organizations shows upward trajectory

Given the volatility of the past year, we were interested in understanding from business leaders how their career plans might have changed since the start of the pandemic. We asked them how willing they were to change roles within their current organization or change employers today and to compare it to how willing they recall being six months before the start of the pandemic.

The interest in seeking new opportunities is particularly strong at the next-generation leader level, with 74% willing to move within their current organization and 73% open to finding a new employer.

**Figure 9: Willingness to change jobs, by leadership role**



RRA 2021 Global Leadership Monitor, base n = 1,327 global executives

This restlessness carries both positive and negative implications for organizations. On one hand, the robust pool of executives interested in seeking new opportunities could help resolve the talent availability and skills gaps that threaten businesses. These ready-to-move leaders come from a variety of functional backgrounds, such as sales, finance, operations/supply chain, IT/technology and marketing, and would supply in-demand skills to companies in need.

At the same time, in this phase of recovery, most businesses cannot afford to lose top talent as they try to recover from last year's losses. This risk is exacerbated by generally low confidence in current succession planning efforts, as we review more closely in our next section.

## Confidence in C-suite succession strategy exacerbates turnover risk

C-suite succession planning is a prime area for improvement, according to the majority of business leaders. Just 38% of leaders believe their executive leadership team has a successful strategy for C-level successions, while 45% believe their supervisory/non-executive board has a successful strategy for C-level succession. These low scores are pervasive across every management level, and are even consistently low among board directors, who are generally very confident in their abilities.

This broad skepticism about the adequacy of succession strategies should concern executives and board members alike, especially given the strong opportunities many see as available to them outside their current organization. To improve in this area, leaders will need to establish the cause of this concern and either close communication gaps around existing plans or improve the robustness of those plans.

**Figure 10: Confidence in executive team C-level succession strategy, by leadership role**



**Figure 11: Confidence in supervisory board C-level succession strategy, by leadership role**



### Succession Management Best Practices

Organizations with best-in-class succession management practices are reaping tremendous benefits. Those practices include:

-  Proactive, deliberate and thorough
-  Focus on internal development and engagement
-  Take an external market perspective
-  Maintain emergency and long-term succession plans (3-5 years) for full C-suite
-  Owned by all key stakeholders, including incumbents, HR, and the board
-  Develop transition and communication plans

Our work in C-suite succession has taught us that businesses face a long list of challenges in C-suite succession planning. These include job specifications that are mapped to current needs instead of long-term strategy and goals; using insufficiently rigorous methods to identify, evaluate and track “ready now” and “ready later” leaders; and creating plans that are not designed holistically for multiple layers across the organization. Conversely, experience shows that organizations with best-in-class succession management practices are reaping tremendous benefits. These organizations can mitigate the risk of unplanned vacancies, accelerate the development of high-potential executives, and position the organization for uninterrupted, long-term performance.



Business leaders have been challenged in nearly every aspect of running their business since the start of the pandemic. Coming out of this tumultuous period, Russell Reynolds Associates' 2021 Global Leadership Monitor finds executives relatively confident in their collective ability to handle most business issues now facing them, including economic uncertainty, technological disruption, consumer confidence and the lingering effects of the pandemic.

At the same time, however, our survey results indicate areas of concern around human capital and leadership issues. Of their top five concerns, availability of key talent and skills is the one that leaders feel least prepared to address, and there is growing recognition that employees are as important as investors in terms of stakeholder management. The topics that are of increasing importance to purpose-conscious employees—DE&I and ESG—are among those executives and directors feel least confident about tackling.

Moreover, as they candidly reveal, many executives are not certain about the behavior and culture of their leadership team, and the majority are skeptical about the effectiveness of succession strategies at the leadership level.

It is critical for organizations to invest in the capability and culture of their leadership team. CEOs and directors should consider how they make sustainable leadership central to leadership capability and culture, optimize relationships within top teams and between management and boards, and ensure the robustness of C-suite succession planning and internal development.

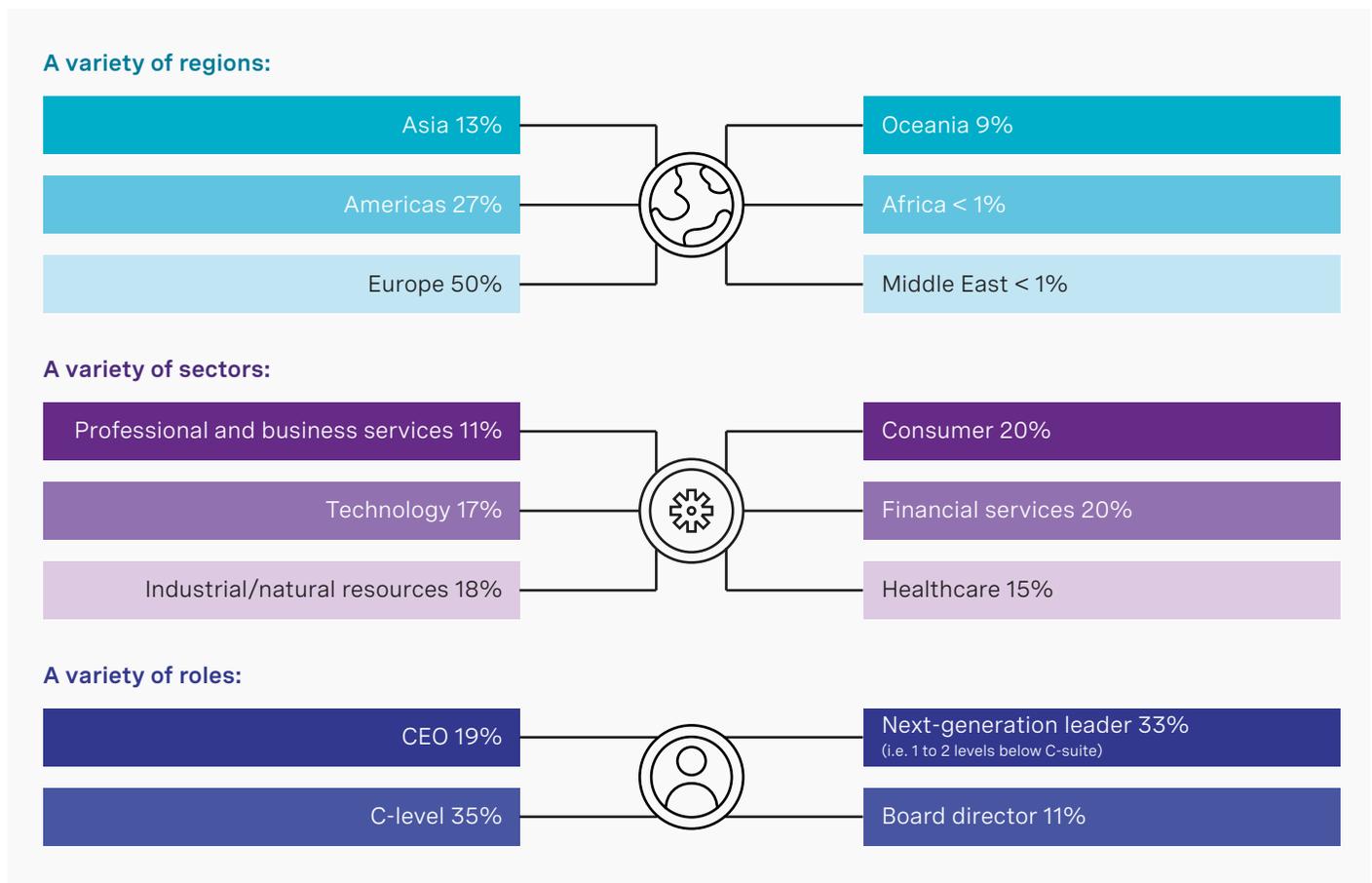
Strengthening these core areas may not prevent the next shock, but it will prepare businesses to face the future with confidence.

# Methodology

Russell Reynolds Associates surveyed our global network of executives using an online/mobile survey in February and March of 2021.

The 1,327 global executives we surveyed represent:

53 countries in Africa, Asia, Americas, Europe, Middle East and Oceania. **All data has been weighted by GDP to create a more representative share of business contribution from each market.**



A variety of business sizes and types:

- 60% with annual revenues of \$1 billion USD or higher
- 52% with 5,000 global employees or more
- 50% publicly traded, 17% private equity or venture-backed, and 28% private ownership

Not all percentages in charts add up to 100%, as a result of rounding percentages and the decision in certain cases to exclude the display of certain sectors and "neither/nor," "other," "none of the above" and "don't know" responses.

## Authors

The Center for Leadership Insight (CLI) exists to further Russell Reynolds Associates' mission to improve the way the world is led. It forms the cornerstone of the firm's research and insight efforts, generating leading edge analysis of current business issues based on proprietary data and unparalleled relationships with senior leaders around the world.

**Jemi Crookes** is a member of Russell Reynolds Associates' Center for Leadership Insight. She is based in Washington, D.C.

**Tom Handcock** is the global head of Knowledge Management at Russell Reynolds Associates. He is based in London.

**PJ Neal** leads the Center for Leadership Insight at Russell Reynolds Associates. He is based in Boston.

**Alix Stuart** is a member of Russell Reynolds Associates' Center for Leadership Insight. She is based in Boston.

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## About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory and search firm. Our 470+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led.

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