
CORNERSTONE
INTERNATIONAL GROUP
THE GLOBAL
CXO SURVEY
WHERE IS YOUR BUSINESS HEADING?
2019



Where is Your Business Heading?

INTRODUCTION

In the last few years, we have seen dramatic developments in the way we organise, the way our organisations do business, and the types of people we seek to conduct that business.

In late 2018, Cornerstone International Group conducted a global survey in order to get an answer on:

-What will impact our client's business most for the coming three to five years

-What impact will that have on the organisation, talent and leadership style

Our partners conducted in-depth, one-on-one interviews, remote or in-person, with leading CXO working at international/global companies all over the world.

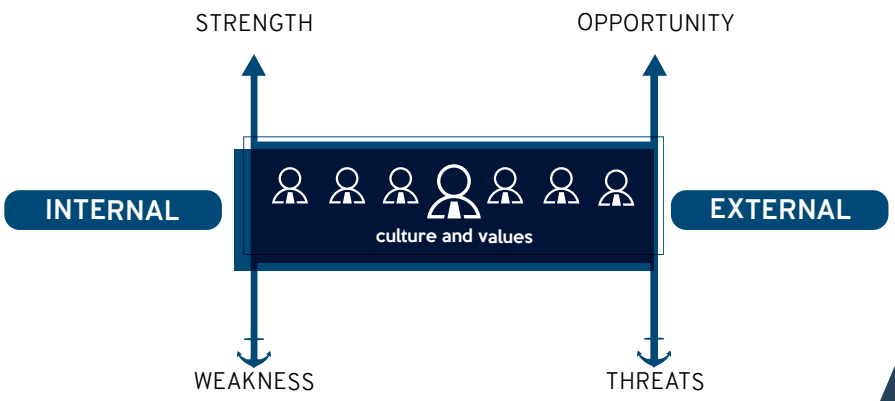
Our sample represents a wide variety of businesses, cultures and regions. The interviews were held in Canada, USA, Peru, Chile, Brazil, Mexico, Sweden, Denmark, UK, Germany, Greece, Turkey, Austria, Hungary, Czech Republic, Romania, Russia, China, India, and Colombia. We wanted to find out where top management in international organisations sees challenges and where they are planning to put resources.

First, some background.
The traditional SWOT analysis identifies internal factors under your control (Strengths and Weaknesses) and external factors outside your control (Opportunities and Threats). In the diagram, the strengths and opportunities are shown as arrows driving you to growth; the threats and weaknesses are anchors holding you back. The drivers must always be stronger than the anchors or there is no progress.

Joining the internal and external factors is the culture, vision and values of the company. This is flexible as management adjusts to make sure these values and the leadership style continues to support goals that advance the manageable drivers over the fixed anchors.

Our survey set out to find what kind of leadership style, values and corporate culture is needed. Is the relationship between the board and senior management appropriate for today's challenges? How will organisations have to manage the internal culture to achieve tomorrow's targets?

Here's what we found out.





1. The Impact on the Organisation

Faced with disruption and the need for speed and flexibility, management is putting decision-making closer to the customer.

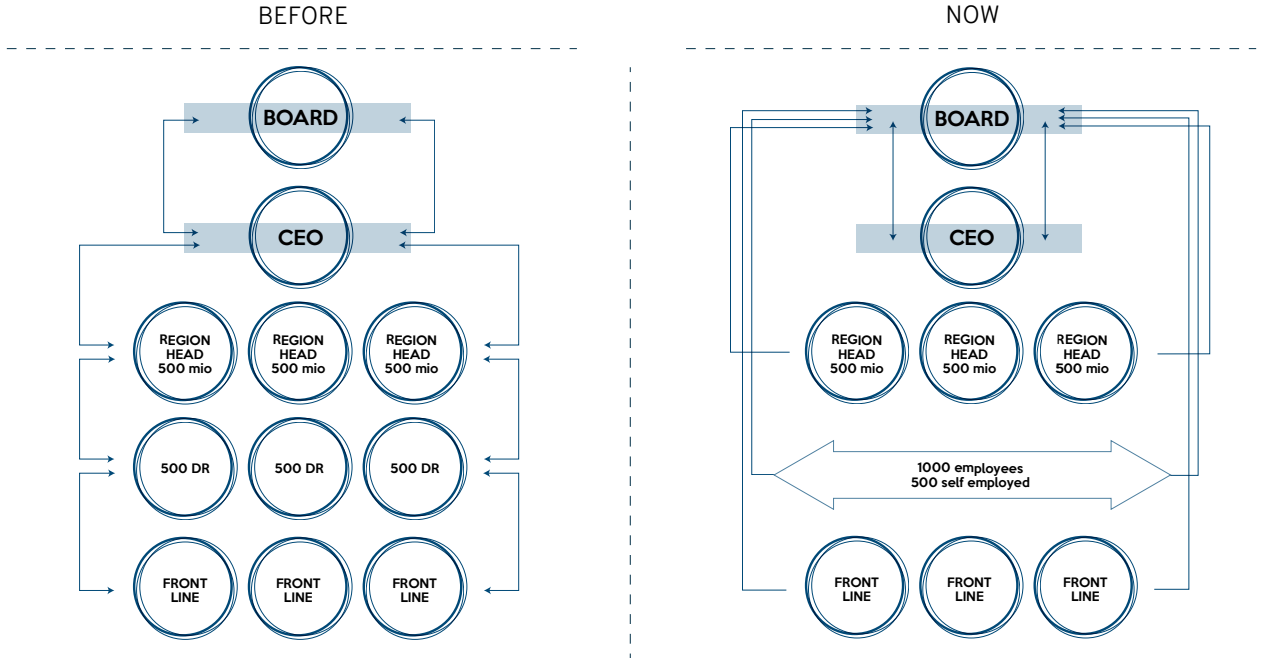
Even though big organisations may still work as a multiple matrix organisation, decisions are made as close to the client as possible. This is manifest in two organisational changes.

First, companies tend to create smaller, more flexible units within the organisation. Blue-collar workers are divided into small, flexible units that can be moved where needed most. The regional head in the construction company who had 500 direct reports and a P&L responsibility of €500M a couple of years ago, might still be responsible for €500M today, but have only a handful of direct reports.

Second, the Board and top management are looking at ways of getting valuable customer, market and competitor information as soon as it is available. Information from the front line of the organisation, publications, the internet and social media is gathered, sorted and presented directly to top management without being filtered through the organisation.

The effect these two changes can have on middle management is huge. A middle manager will have to change her or his management style in order to manage people who might no longer be direct reports. In addition, market information will reach her or him at the same time as the information, unfiltered, reaches top management. Time for planning is reduced and the emphasis is on action.

INFORMATION FLOW



The main challenges stem from the disruption caused by our digital environment. Speed of decision-making, speed to market, the need for new competences and skills, increasing regulation, added competition from outside the main business and the need for rapid change are all derivative.

Risks Rise with Speed
A faster environment demands higher risk taking. This is a challenge to top management. Speed is a now a fundamental factor and to gain market share management must take more risks than ever before.

Speed also will have an effect on the complete supply chain. Goods must arrive at exactly the right time slot in the assembly line even though everything is moving faster. Our study shows that focus will be put on the supply chain function in order to increase flexibility, lower cost and maintain profitability.

Speed will also dictate global and local priorities. It will become harder for regions to deliver global contracts profitably. Companies are looking for tailor-made solutions, not only regarding product specification but also time to market, terms and conditions, local legal requirements and sustainability and demands related to Corporate Social Responsibility.

Work Global - Act Local is a phrase we came across frequently.

2. The Impact on Talent

New technologies and techniques have caused an upheaval in functional roles and responsibilities across the workforce. Finding the right candidate with exactly the right background, experience and skills is seen as one of the main challenges to reach set targets.

Companies need flexibility, not only to align the head count with the demands of the general economy, but also to be competitive in the market place. To achieve the desired flexibility and degree of specialisation, at the time it is needed, companies are trending towards free-lance and self-employed specialists who will work on a project basis.

Since sought-after candidates are specialists in their niche, rather than generalists, they are much harder to find. Even when found, the newer generations are increasingly harder to attract and retain. Organisations must adjust their approach to talent acquisition and retention.

Young Workers Care
Younger generation employees need to share the values and mission of the company they want to work for. Companies are facing a strong push from the environmental and social sustainability movements and need to move Corporate Social Responsibility (CSR) not just higher up on the agenda but higher up in the organisation, even to board level.

The movement itself is seen to be positive by our group and the power of social media is such that negative attention could be devastating and hard to repair. Maintaining a company's reputation is critical to attracting talent. However, in many instances we found that political uncertainty and a reluctance to communicate long-term guidance make it hard for companies to follow.

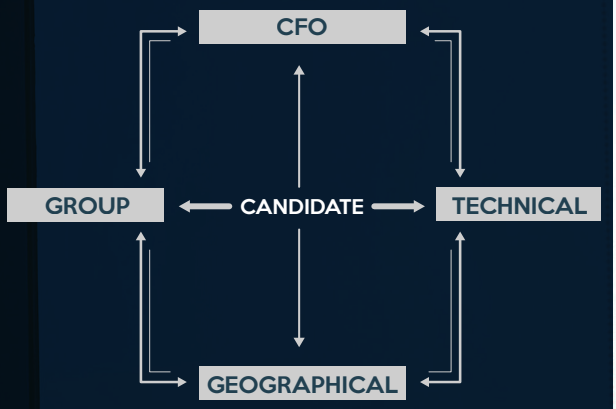
The New Career Path
The era of the generalist may not be over, but our survey shows a clear trend towards specialisation in some form. Companies are looking for candidates



who may be conversant with a broad set of skills but are specialized in one or more.

The fabled route of messenger boy to CEO appears to be history. Managers aspiring to leadership do so by rising to the top of one functional operation and increasingly seek to add a second.

Their entry point tends to be one of the four major organisational streams: Technical, Geographical, Group (HR, Legal, Sales, Marketing, etc), or Finance. The opinion of respondents is the path to leadership will require involvement in more than one sector.



The Hidden Impact of Globalisation

Globalisation becomes a challenge to talent acquisition by driving change in the organisation's culture. If your growth is from becoming more global, your culture needs to support it. You need local processes, local culture and a local adaptation to serve customers.

On the surface, a changing environment forces companies to act differently and faster. Below the surface, it also results in different goals, revised values and even a new mission. In other words, a need for an altered culture.

Management needs to put together an information strategy that results in everyone understanding and accepting set goals, values and mission and adopting the corporate culture. This indicates that organisations are prepared to change their culture in order to fulfil goals.

The Board of the company must not only ask if the company has the resources, talents, competences and skills to fulfil strategies. It must also determine if the corporate culture will support their goals or will require change.

3. The Impact on the CEO's World

These changes are having a marked effect on the way the CEO is acting, working and what leadership style he/she is using.

A CEO communicates by what he/she says and does and how he/she lives. For example, a CEO cannot credibly ask employees to conduct a heavy cost-cutting program and then buy an expensive company car.

The modern CEO needs to be authentic and live the values. The company is often driven by values, attitudes and culture to a greater degree than by facts and figures. In order to be able to motivate, encourage and empower employees, the CEO must be a visible leader in creating the right environment.

Should the CEO Go?
That said, if the company needs to change the corporate culture, the Board will need to start by assessing the CEO and be prepared if necessary to effect change.

Respondents point out that it is no longer enough for a CEO to have a 'helicopter view' of the organisation and its markets. To keep pace with change, the leader not only needs to fully understand the marketplace, but also have the ability to focus, evaluate and prioritise a changing reality.

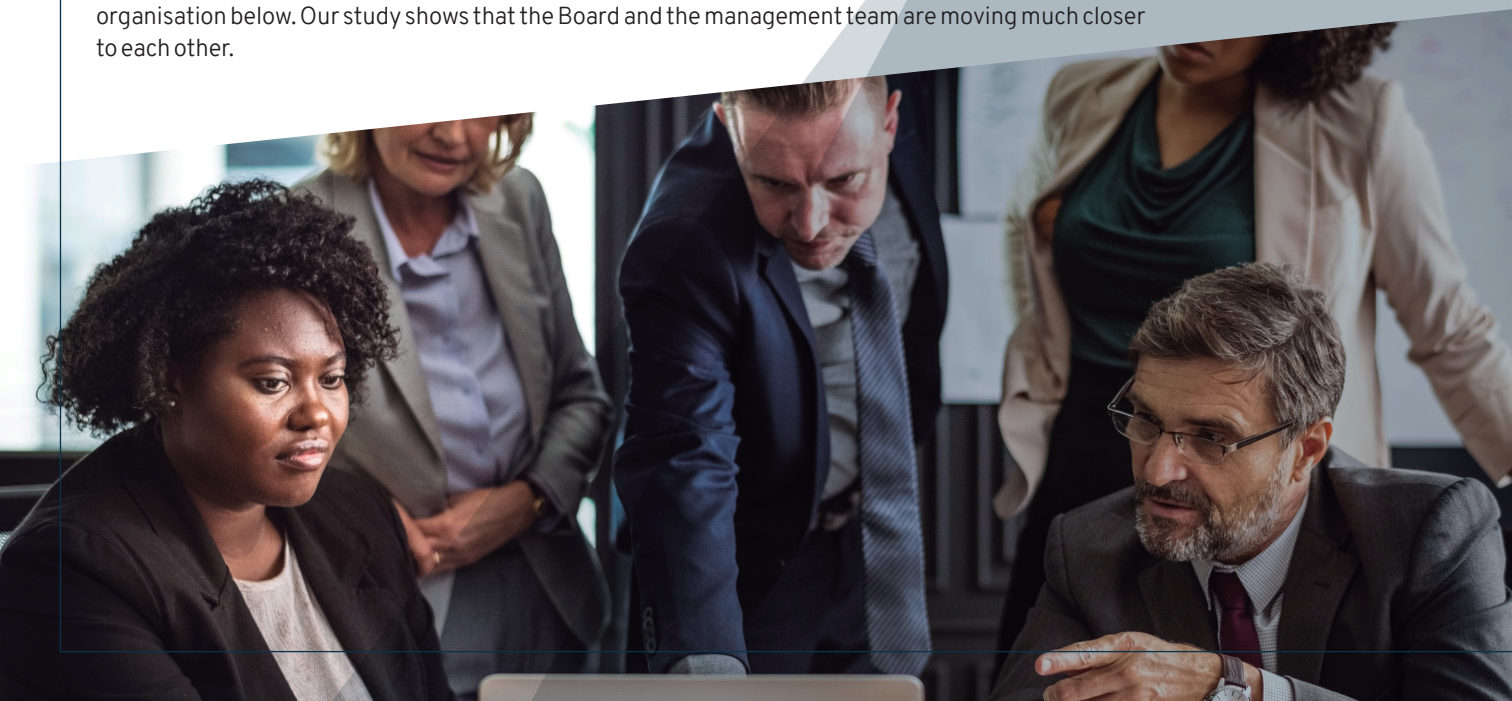
Communication skill is the most frequently mentioned requirement for today's CEO. She or he must be able to communicate the strategy and goals and enumerate the corresponding corporate values to a broad audience.

Competition and Crystal Balls
The ability of the CEO to anticipate competitive threat has also changed dramatically. Competition today in some sectors is as likely to come from outside the owned business segment as from within.

This is most notable in the Telecom, IT or Financial Services businesses but by no means restricted to them. The powerful car industry, with all its resources, was not fast enough developing an electrical car; Elon Musk and Tesla took the leadership position.

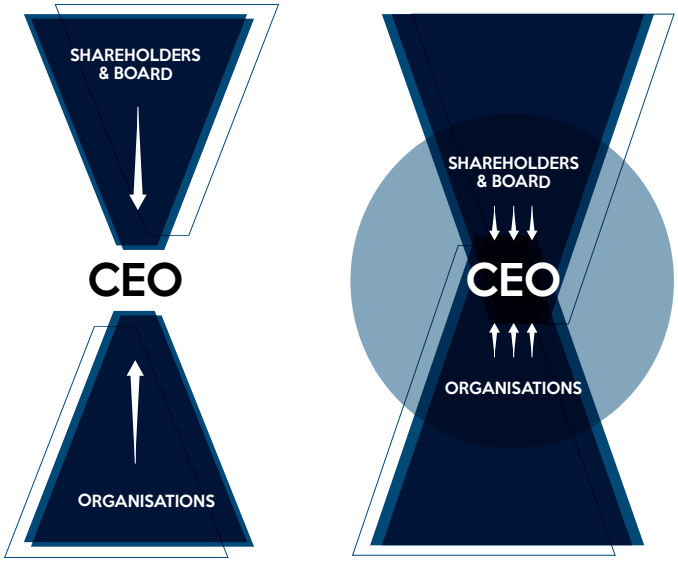
Airbnb, became the world's largest "hotel" business without owning a single hotel room. Uber became the largest private transportation company without owning a single car. The CEO's radar today has to constantly scan a much broader field.

The Relationship CEO vs. Board
Finally, the relationship between the CEO and Board is also undergoing change. Not long ago, the CEO was the filter between the Board of Directors at the top, and the management team with the whole organisation below. Our study shows that the Board and the management team are moving much closer to each other.



Today's Board needs to be closer to the business. Speed is a key factor to success. It makes sense that the Board and the management team meet regularly in order to share timely input.

With Board accountability increasing and the trend to more specialised independent directors, increasing the information exchange will help to secure compliance within the company and strengthen the Board's oversight role.



4. Report Conclusions

The speed and ubiquity of digitalisation is forcing major change in business organisations

- Decision-making is moving closer to customers
- Organisations are reforming in smaller, more agile work groups.
- Talent acquisition is more specialised in order to deliver niche knowledge on Day 1

Corporate Social Responsibility is driving culture change

- The new generation of talent will only work where social expectations are being met
- Social awareness requires evaluation of values and mission goals
- Boards of Directors and CEOs must understand and embrace social responsibility

Technology is re-writing boundaries

- Globalisation is enabled by technology advances across the spectrum
- Competition is no longer likely to come solely from within the core business
- Information is now unfiltered and shared instantly across the organisation.

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