



Global Leadership Forecast Series

CEO Leadership Report 2023





The Largest Leadership Study of Its Kind

The *Global Leadership Forecast* series is the longest-running global study of leadership aimed at understanding current and future leadership best practices. This year's study, *Global Leadership Forecast 2023*, is DDI's tenth forecast since starting this stream of research more than 23 years ago. This report examines responses from 1,827 human resource professionals and 13,695 leaders from 1,556 organizations around the world. The research, which spans more than 50 countries and 24 major industry sectors, summarizes best talent practices and provides key trends to guide the future of leadership. The full set of leader demographics is depicted below.





Introduction

Isolated CEOs Put Their Organizations at Severe Risk

The biggest risk to CEO success is becoming isolated from their workforce. The more that they insulate themselves by focusing narrowly on what's happening at the senior level, the less equipped their organizations are to face key challenges ahead.

In this special report from our *Global Leadership Forecast* series, we examine how an organization's leadership at every level affects the CEO's ability to execute their strategy and successfully lead their organization. We analyzed responses from 529 CEOs and 1,827 human resource executives around the world, across more than 10 industries, with an average company size of 16,000 employees.

The powerful message that emerged from the data showed how deeply dependent the CEO's success is on their people strategy. And the proactive nature of this strategy is key. With every change and challenge to the business strategy, HR has to have *already* done the work to prepare their people for it.

Our data showed that this is true at every level of leadership. We saw how heavily CEOs rely on the strength of their frontline leaders to adapt to nearly any business challenge. At the mid-level—a group of leaders often taken for granted—we see a significant difference in the stability of organizations that support them versus organizations that assume they can navigate leadership on their own.

And at the very top levels, there's a dramatic difference between organizations in which the CEO has a holistic understanding of leadership dynamics versus those who look at performance in silos.

While this report delivers the views of the CEO, the hidden figure behind the scenes is the CHRO. In organizations where CEOs are optimistic and poised for success, it is likely due to the work the CHRO has done to set the table. In contrast, in organizations where the CEO lacks confidence in their leadership, they are likely missing a strong relationship with a strategic CHRO.

If there's one relationship the CEO should invest in now, it's with their CHRO. CEOs that build this strategic executive relationship successfully will not only have greater leadership alignment but also be better poised to capture the talent capabilities they need for the future.

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- Neglecting Mid-Level Leaders Hinders Leadership Stability
- Inflexible Work Kills Senior Leader Credibility
- CEOs Pay a High Price for Ineffective Executive Teams
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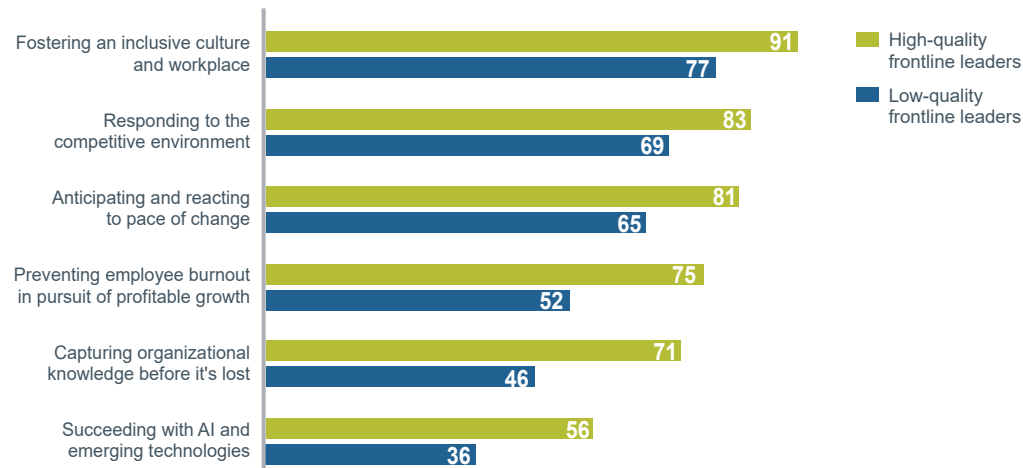
Where to Focus: How Top Companies Approach Leadership Succession

With talent concerns topping the list of business challenges, CEOs should double down on developing leaders at every level to lead their organization and ensure it thrives.



Weak Frontline Leaders Undermine CEO Confidence

Poor Frontline Management Shakes CEO Confidence



Percentage of CEOs Who Feel Prepared to Meet Challenges

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CEOs Are More Pessimistic When They Don't Have Faith in Frontline Managers

Across the board, CEOs are confident about their company's ability to meet key business challenges. However, their outlook tends to downturn significantly based on one key factor: their confidence in frontline leaders.

This decline in CEO confidence is most acute when it comes to capturing organizational knowledge. As highly experienced employees retire or depart for new opportunities, CEOs fear that poor frontline managers aren't retaining valuable knowledge before employees leave. Indeed, it may be that CEOs believe their managers may be pushing valuable workers out the door, as many organizations also struggle to prevent burnout.

Even in organizations where CEOs are highly confident in their frontline managers, managers often don't share their optimism toward challenges. **While CEOs are confident about fostering an inclusive culture, only 24% of frontline managers say that inclusion is a strong part of their culture. Likewise, while most CEOs say they are able to prevent burnout, only 27% of leaders say their organization is committed to well-being.**

Given CEOs' confidence across business challenges, it stands out that CEOs feel the most unprepared for AI and emerging technologies. Organizations often rely on highly skilled and knowledgeable technology workers at the frontline to guide their AI strategies. As a result, this is another area of CEO confidence that is highly variable depending on how they view the quality of their frontline leaders.

Without skilled frontline leaders, CEOs clearly believe their business strategy will not come to fruition. These CEOs should depend on their HR partners to reverse the situation by advancing the leadership skills of their managers.



Neglecting Mid-Level Leaders Hinders Leadership Stability

Mid-Level Leadership Quality Drives Bench Strength



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Mid-Level Leaders Struggle Despite Forming the Backbone of the Leadership Pipeline

In a role where their value is often obscured, mid-level leaders are frequently under scrutiny. Consider that CEOs talk directly with senior leaders. CEOs also know the crucial management role that frontline leaders play. But it's easy to overlook or misunderstand how middle managers translate strategy into execution.

As we noted in *Global Leadership Forecast 2023*, the top two concerns on CEOs' minds are attracting and retaining top talent and developing the next generation of leaders. Only 12% of companies report having a strong bench of leaders ready to step up to manage those challenges.

Our data shows, however, that mid-level leaders play a powerful role in creating the talent backbone of the organization. Companies with high-quality mid-level leaders are able to fill 65% of critical leadership roles, compared to only 46% of roles in companies with average-quality mid-level leaders and 28% of roles in organizations with low-quality mid-level leaders.

Companies with high-quality mid-level leadership are also 3X more likely to be awarded a "best place to work" award compared to companies with poor- or fair-quality mid-level leadership.

It's unlikely that mid-level leaders are simply poor performers. Rather, as they become further removed from day-to-day operations, many mid-level leaders struggle to adapt to the higher-level leadership challenges of their roles. 65% of mid-level leaders reported that their stress level increased significantly upon entering their role. Worse, 60% reported frequently feeling used up at the end of the workday, putting them at high risk for burnout.

We found that the three biggest direct contributors to stress when transitioning to the mid-level are:

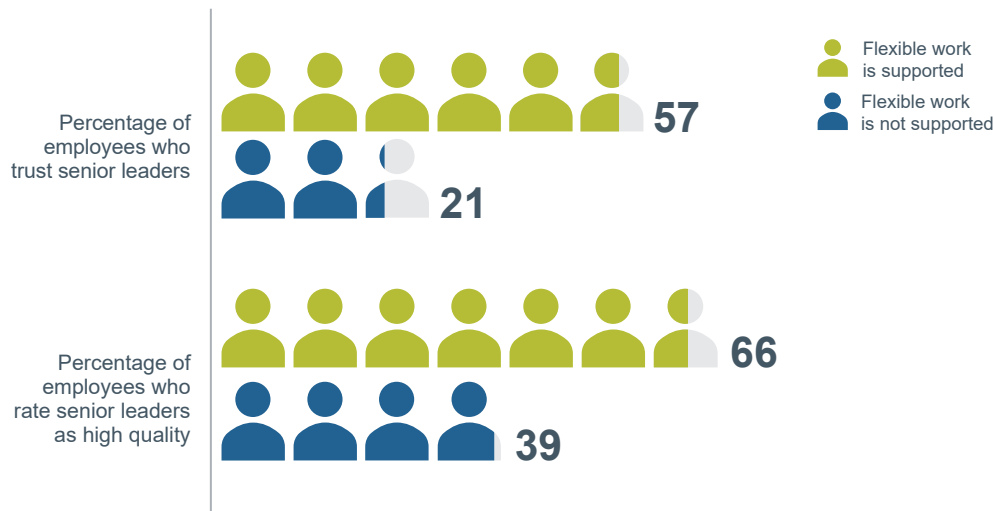
- Experiencing a significant increase in role complexity.
- Assuming responsibility for a profit/loss function.
- Acquiring more direct reports.

As HR and senior leaders focus on more immediate challenges, it's no surprise that they may overlook support and development for mid-level leaders. However, savvy CEOs and their HR partners are increasing their efforts to strengthen and enable their mid-level leaders as part of a competitive strategy to improve the stability and agility of their organization.



Inflexible Work Kills Senior Leader Credibility

Flexible Work Improves Perceptions of Senior Leadership



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Companies That Embrace Flexibility Are Winning the Talent War

As a growing number of organizations call their workforces back to the office, CEOs need to prepare for trust in their leadership to decline.

In our study, 36% of CEOs report that flexible work is common and supported in their companies. **When flexible work is common and supported, leaders are nearly 5X more likely to say that they trust their senior leaders.** Leaders are also 2.9X more likely to perceive their senior leaders as high quality, compared to organizations without flexible work.

Furthermore, CEOs that support flexible work reported that they were more prepared to tackle some of the biggest challenges companies face. For instance, companies with CEOs that support flexible work are 3.3X more likely to feel prepared to engage and retain talent than those that do not support flexible work. They are also 2.6X more likely to feel prepared to hire the right people.

CEOs need the right mindset and skill set to make flexible work successful. Some of the key capabilities connected to successful flexible work environments are:

- Building partnerships rooted in trust: Having strong partnerships with others can help CEOs understand whether flexibility is desired or needed.
- Managing change effectively: CEOs that manage change well may be more open to flexible work becoming a “new normal.”
- Thinking strategically about talent: CEOs that think strategically may consider the long-term talent implications of greater workplace flexibility.

When CEOs were effective in these three skills, they were 2.7X more likely to report that their company supports flexible work than companies with CEOs who are not effective in these skills.

For organizations that have the option, flexible work can be an effective strategy to avoid losing talent as well as to fortify perceptions of leadership across the workforce.

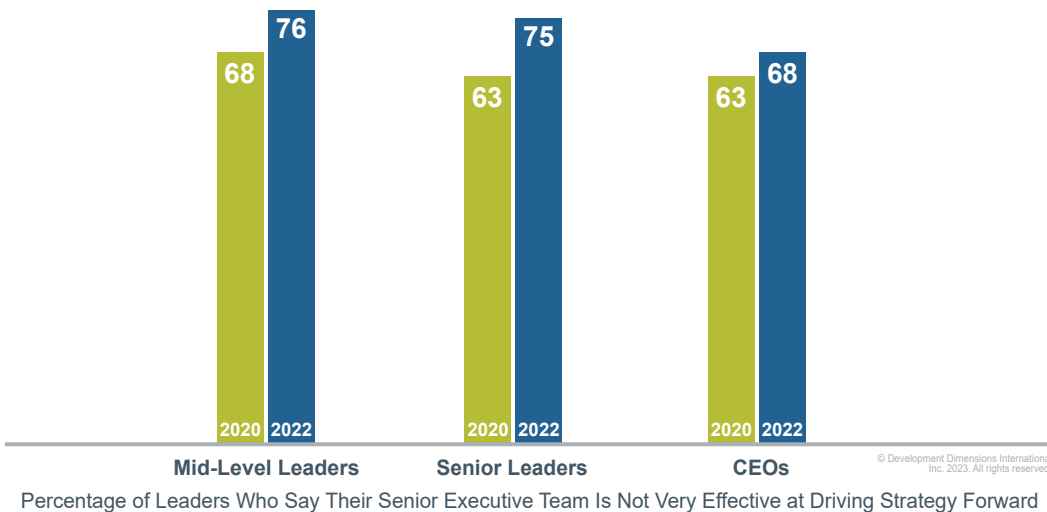


CEOs Pay a High Price for Ineffective Executive Teams

Leaders Increasingly Say That Their Executive Teams Are Ineffective

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Fractured Executive Teams Create Deep Fissures in Their Organizations

Too often, the C-suite becomes a pantheon of highly talented executives, but with little focus on how those executives work as a team to drive strategy. In fact, more than two-thirds of CEOs say their executive team is ineffective at driving strategy. And an even higher number of the senior- and mid-level leaders working underneath the executive team say that they are ineffective.

While executive team dynamics have long plagued CEOs, these tensions have worsened since 2020. This drop in confidence may be part of a post-crisis response to the pandemic. During the height of the crisis, many organizations were united with a clarity of purpose and priorities to get through short-term strain. However, the business landscape post-crisis has been significantly altered, creating a more ambiguous path to success for most companies, which may create rifts among executive teams.

These fractured teams cause ripples of insecurity throughout their organizations. Compared to companies

with effective executive teams, leaders at companies with ineffective teams are:

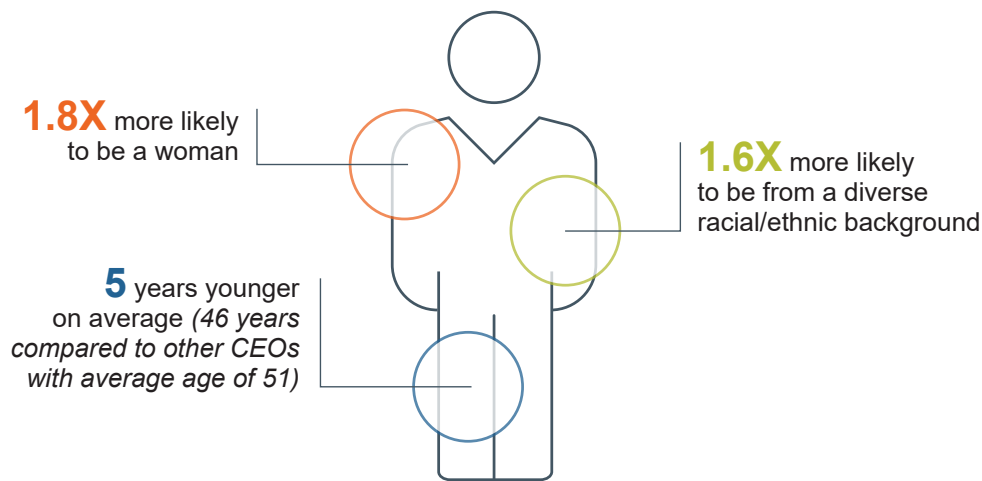
- 6.5X less likely to say clear expectations have been set for them.
- 5X less likely to say that change is being handled well at their organization.
- 2.3X less likely to feel they can succeed at operating their business through an ambiguous and uncertain environment, potentially their biggest risk to business success.

Great CEOs can differentiate themselves from those struggling to accomplish their agenda by creating an effective executive team. CEOs should focus not only on the individual performance of their executives, but on how they operate as a single, cohesive unit. **With an effective executive team in place, these organizations are 2.4X more likely to be able to engage and retain top talent and 2.9X more likely to financially perform in the top 10% of their industry peers.**



Unexpected CEO Promotions Stress Test the Bench

Profile of an Unexpected CEO



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Companies with Strong Candidate Pools Can Move Quickly to Change Their CEO

In many organizations, the promotion to CEO goes to the “heir apparent,” often a COO or CFO who has been preparing for the role for years. However, our data shows that in about 20% of cases, the rising CEO was surprised by their promotion to the top role. These cases likely reflect situations in which the next CEO was chosen quickly, without giving the successor a long on-ramp ahead of time.

Often, the need to rapidly choose a new CEO who was not expecting the promotion sets off alarm bells. However, we saw evidence that organizations that acted quickly also prepared with sophisticated approaches to succession.

Organizations in which the CEO did not expect their promotion were 1.6X more likely to have vetted and developed successors as part of a high-potential pool. They were also 2.8X more likely to use assessment to gather data about leader readiness and forecast future talent needs against “what if” scenarios and contingency plans.

This approach to developing a pool of potential successors also resulted in greater diversity. CEOs who didn’t expect the role were 1.8X more likely to be women, 1.6X more likely to be from a diverse racial/ethnic background, and

were an average of five years younger than leaders who expected their promotion.

Despite rising quickly, unexpected CEOs tended to be modest. Compared to their peers, these CEOs rated themselves lower in extroversion and ambition. Only 53% of CEOs with unexpected promotions said they wanted to be a leader before they were asked, in comparison to a much higher 82% of leaders who expected their promotion to CEO.

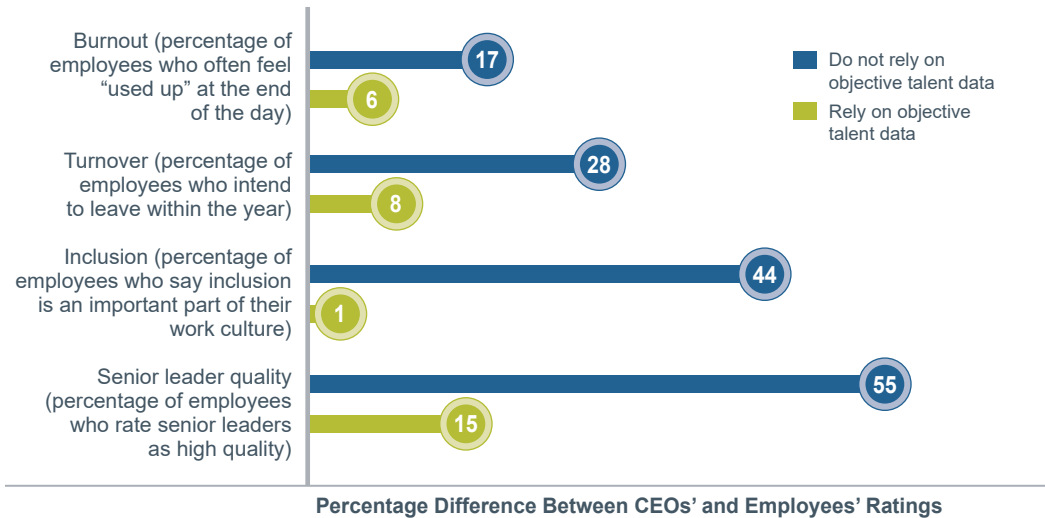
The question is: are unexpected CEOs set up to fail? While our data can’t definitively rate their success or failure, we found evidence that unexpected CEOs put more focus on building strong relationships and leading with empathy. Leaders in their organizations were 1.4X more likely to rate their senior leaders as high quality and 1.6X more likely to say they trust senior leadership.

Companies that have done a good job preparing a strong pool of diverse potential candidates have better visibility into who may be ready for the role. These organizations may also be doing a better job of finding executives who excel by surrounding themselves with other great leaders, rather than expecting to do it all themselves.



CEOs Suffer Blind Spots Without Talent Data

Gap Between CEO and Employee Perception Diminishes with Objective Data



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CEOs Lose Touch with Their People When They Lack Objective Data

As we noted earlier in this report, CEOs tend to be highly optimistic about how things are going in their organizations and their ability to meet future business challenges. However, in several places across our data, we saw that this optimism is out of sync with the view of managers who see challenges play out on the front lines.

While gaps between CEO and employee perception were significant, we saw them shrink significantly among CEOs who said they rely on objective talent data, such as assessments and tests, to make decisions. For example, CEOs who had objective talent data were more likely to agree with their lower-level leaders about the challenges of burnout, turnover, and inclusion in their organization.

One of the widest gaps between CEO and employee perception often centers around how they view senior leaders in the organization. In many cases, the CEO primarily interacts with senior leaders and has a very positive view of them. Meanwhile, the mid-level and frontline leaders are often frustrated by the quality of senior leaders, which can contribute to other issues such as high turnover and burnout.

CEOs who have objective data about their senior team are much more likely to understand these key leaders' effect on their organization and make informed decisions about how to select and develop these leaders. In organizations that gather objective data about their leaders, CEOs' perspectives are not only in sync with others at their organization, but senior-leader quality is also 2.2X higher overall.

The one area where CEOs remain most consistently out of sync with their workforce—even with objective talent data in hand—is inclusion. The vast majority of CEOs say they are well-prepared to be inclusive, yet leaders lower in the organizations say they struggle to foster an inclusive environment.

While in most cases CEOs can reduce their blind spots with better data, it's crucial that they also seek feedback regularly and consider the experiences of employees with every decision.



Where to FOCUS ↓

How Top Companies Approach Leadership Succession

It's on the CEO's Shoulders to Create a Strong Leadership Pipeline

The CEOs we surveyed were incredibly clear that talent concerns kept them up at night more than anything else. Of all business challenges ahead of them, they said that their top three concerns were:

1. Attracting and retaining top talent.
2. Developing the next generation of leaders.
3. Maintaining an engaged workforce.

Overcoming all three of these challenges requires CEOs to focus on how they identify, promote, and develop leaders at every level of their organization. They have to consider succession as a strategic imperative for total organizational health rather than a method of replacing departing executives.

It's critical that CEOs strategize closely with their CHROs to create a systemic approach to leadership succession. Organizations in our survey that had strong succession systems followed several of the following best practices:

- They leverage assessments to identify strengths and development areas for high-potential talent. Starting with an assessment is key to finding an unbiased inventory of leadership capability at any level. Assessments also support greater pipeline diversity by helping managers spot hidden leadership potential and evaluating leaders more fairly.
- Compare results to critical leadership competencies to identify areas that are most critical to develop. It's important to not just understand strengths and developmental areas at the individual level, but also to compare these results to success profiles for crucial leadership roles.
- Strengthen development areas with training grounded in leadership best practices. This includes applying the newly developed concepts from training programs to real-world situations.
- Use the succession pool when a vacancy arises, offering coaching and mentoring to guide transitions. Leaders in these pools have been identified as potential candidates for vacancies already and have been provided with opportunities to be prepared for these roles.
- Continue to monitor succession plan health through developmental conversations after leadership transitions. By monitoring relevant succession data and identifying potential improvement areas, you can ensure your succession plan isn't causing adverse outcomes.

A healthy succession planning process can improve the bench of leaders ready to tackle the next opportunity and provides a strong foundation for your organization to thrive in uncertain markets in the future.



Global Leadership Forecast Series

CEO Leadership Report 2023

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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