Egon Zehnder International

Resilience – a review of the current state of corporate leadership, flexibility and strategic foresight.

Egon Zehnder International 8th International Executive Panel June 2010

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Foreword

The recent financial and economic crisis has meant testing times for the resilience and flexibility of many companies. The most crucial corporate attribute in such times is the ability to bounce back, while at the same time learning from experience so as to be better prepared the next time around. In April 2010, Egon Zehnder International surveyed 836 top managers from across the globe, asking how they experienced the crisis. The findings paint a sober picture.

This was the eighth time that Egon Zehnder International had staged an online survey to question top leaders about current issues in corporate management. With the International Executive Panel, Egon Zehnder International has created an instrument that provides us with insights into the spectrum of opinions held by leading corporate decision-makers around the world. The high-caliber panel includes representatives of small and medium-sized enterprises as well as major corporate groups.

Executive Summary

Unsettled by the crisis

More than half of the executives who responded said their companies face the task of identifying a business model that matches the revised operating environment. In countries as different as Switzerland and Australia, no less than two out of three top executives consider this the most pressing internal issue that their company needs to resolve. Also high on the list of urgent challenges is an inadequate talent and leadership pool, and almost one in two panel members named a lack of leadership as a top internal concern. (Page 9)

Feeling external pressures

For two out of three panelists the main external challenge remains the ongoing recession. In Italy four out of five executives expressed this view. Increasing state intervention and new competitors were each named by around 40 percent of respondents as the key external challenges. And an above-average proportion of German, French and UK executives mentioned another threat to their companies: high levels of national debt. (Page 10)

The importance of flexibility

Adaptability is the most important factor in dealing successfully with future crises according to the managers surveyed. In the US, three out of four top executives consider this the key attribute – more than in any other country. Innovation potential, by contrast (which the Germans, Swiss, Italians and Indians felt was particularly important) was almost as insignificant for the American participants as for their British counterparts (less than 30 percent mentioned this factor). Established and solid customer relationships were also considered crucial by only one US respondent in three, compared to one in two in Germany. (Page 11)

High awareness in Scandinavia

Only one company in five has tried-and-tested processes in place to help identify future crises in good time and make the appropriate preparations. An above-average level of such early warning systems exists in Denmark, where 28 percent of respondents said they proactively design and regularly debate future scenarios. The existence of a high level of awareness in Denmark is underpinned by the proportion of those surveyed who see room for improvement in this respect, which at 58 percent was higher than anywhere else. Not surprisingly, 44 percent of Danish panelists also said that they move quickly from analysis to a plan of action. The picture in Sweden is similar, although here it is also common practice to embed lessons learned from challenges into the corporate DNA. (Pages 12, 13, 14, 15)

Lack of leadership

Enabling leadership and initiatives at all levels of the organization – for two out of three top managers this is the decisive measure of leadership quality. Add the participants who rated this criterion as "important" and recognition of the significance of this factor rises to around 95 percent across the board. And yet only one panel member in two assigned their own companies a "good" or "very good" rating in this vital respect. One interesting factor here is that ratings tended to improve as the respondents' views of the importance of the characteristics of good management declined. This reached its peak among the Germans, who accredited their leadership with more crisis experience than any other country, while at the same time assigning this characteristic less importance than others. (Pages 16, 17, 18, 19, 20, 21, 22, 23)

Shortage of quality leaders in the pipeline

Many executives consider their companies poorly prepared to face future challenges in terms of leadership line-up. They indicate a lack of leadership potential in such important areas as customer focus (42 percent) and business competencies (31 percent) as well as innovation skills. The optimists who consider themselves better placed than others in terms of specialist skills are in a minority. By way of example, 27 percent of British respondents accredit themselves with good process innovation skills; 26 percent of Indian executives claim superior product innovation skills; and 23 percent of French panelists feel they are particularly good at driving change. (Pages 24, 25, 26, 27, 28, 29)

Who cares about tomorrow?

If a company's level of preparation for foreseeable changes is any indicator of its ability to deal with unexpected crises, then the responses concerning succession planning processes paint a bleak picture: Only one company in three has a professional succession planning process in place for its leadership team. Where such a plan does exist, however, in nine out of ten cases it is also regularly reviewed to ensure that it matches current strategy. (Pages 30, 31)

Crisis is the new norm

Over one in four respondents believe that the worst of the crisis is behind us. For the vast majority, however, the crisis is not yet over. More than two thirds of top executives consider it axiomatic that companies can turn things around quickly and that a crisis can also have a positive impact. Asked about significant changes that the crisis had led to in their companies, the panelists reported that these were mainly in terms of behavior (59 percent). Changes in structures and strategies had only resulted at one company in two. (Pages 32, 33, 34, 35, 36, 37, 38, 39)

Respect for China and stacks of self-confidence

In the view of four respondents out of five, China is the country best prepared to tackle future challenges. In Australia, Denmark and Germany even more panelists felt this was the case. This respect for the Chinese is tempered, however, by a much stronger belief in executives' respective home regions than is held by those from elsewhere: Indian managers assigned second place behind China to India, Americans to the US, and German, Swiss and British executives to Europe. (Page 40)



Results

Survey Design

The Findings

Demographics

Survey Design

Objective

The objective of the survey was to examine "Resilience" as a key issue high on the agenda of top executives.

Target groups

International top executives registered with the "Club of Leaders", an online community at Egon Zehnder International's website www.egonzehnder.com.

Survey methodology

Online questionnaire

Sample

836 top executives worldwide

Survey period

March 30 to April 23, 2010

Challenges

What are the most pressing or threatening internal and external challenges that lie ahead? Internal Factors



Challenges

What are the most pressing or threatening internal and external challenges that lie ahead? External Factors

	Total	*	+					6		+		Other
Ongoing recession/ sustained crisis	67.5%	41.0%	76.0%	57.1%	79.5%	75.6%	76.1%	68.4%	59.2%	59.4%	73.7%	68.7%
Increasing regulation/ state intervention	42.5%	46.2%	28.0%	39.0%	28.2%	48.8%	43.5%	31.6%	26.5%	42.2%	52.5%	46.5%
New competitors	38.9%	48.7%	28.0%	33.8%	48.7%	34.1%	43.5%	65.8%	53.1%	37.5%	23.7%	40.0%
National debt	24.6%	23.1%	20.0%	29.9%	33.3%	36.6%	28.3%	7.9%	22.4%	23.4%	30.5%	21.1%
Energy supplies	11.5%	12.8%	18.0%	9.1%	5.1%	7.3%	8.7%	15.8%	8.2%	10.9%	10.2%	13.5%
Inflation	9.6%	10.3%	6.0%	9.1%	7.7%	4.9%	4.3%	13.2%	4.1%	12.5%	11.0%	11.3%
Climate change	9.3%	10.3%	4.0%	10.4%	10.3%	4.9%	10.9%	15.8%	12.2%	12.5%	8.5%	8.4%
Other	9.0%	10.3%	6.0%	14.3%	5.1%	9.8%	6.5%		10.2%	6.3%	10.2%	9.8%

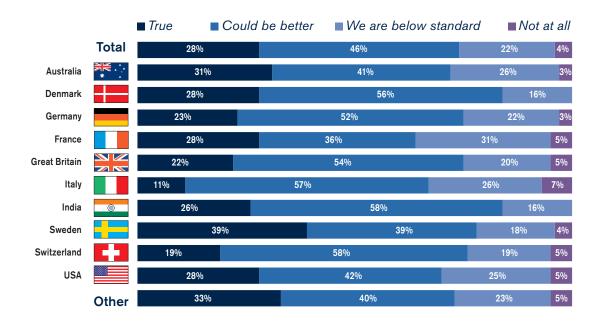
Success factors

In dealing with adversity: What are the key success factors?

	Total	*	+					9		+		Other
Adaptability to future challenges	63,6%	69,2%	56,0%	57,1%	59,0%	68,3%	65,2%	47,4%	61,2%	59,4%	73,7%	65,1%
Innovation potential	41,7%	28,2%	46,0%	54,5%	46,2%	26,8%	56,5%	55,3%	34,7%	53,1%	28,0%	41,1%
Established and solid customer relationships	40,9%	38,5%	38,0%	51,9%	35,9%	36,6%	45,7%	50,0%	42,9%	46,9%	33,1%	39,6%
A robust business strategy	40,1%	35,9%	50,0%	36,4%	46,2%	48,8%	47,8%	34,2%	40,8%	32,8%	33,1%	41,8%
Adequate financial reserves	36,2%	38,5%	32,0%	39,0%	30,8%	29,3%	32,6%	18,4%	30,6%	45,3%	47,5%	34,9%
A strong set of shared values	32,8%	41,0%	20,0%	28,6%	33,3%	46,3%	28,3%	28,9%	40,8%	20,3%	42,4%	31,6%
Broad distribution of leadership responsibility	25,8%	30,8%	36,0%	22,1%	33,3%	26,8%	10,9%	36,8%	30,6%	23,4%	16,1%	28,0%
Ability to improvise	18,8%	17,9%	22,0%	10,4%	15,4%	17,1%	13,0%	28,9%	18,4%	18,8%	26,3%	17,8%

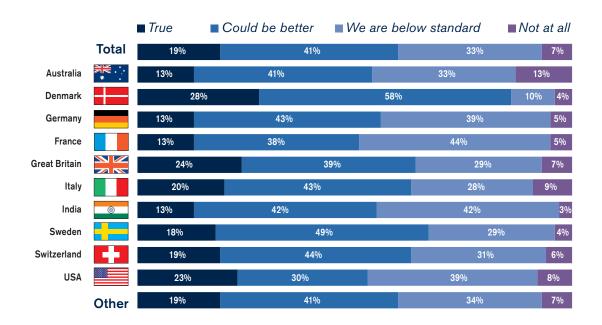
Please rate the following statements:

Learning through challenges and dealing with crises is embedded in our corporate DNA



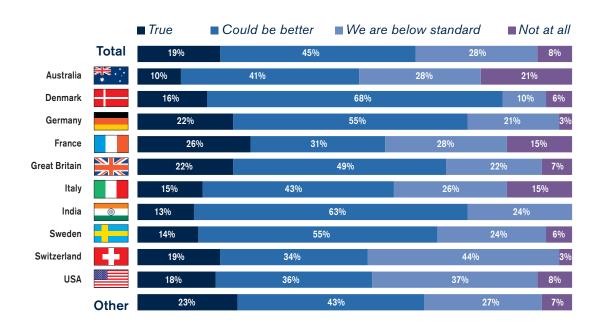
Please rate the following statements:

We proactively design and regularly debate future scenarios



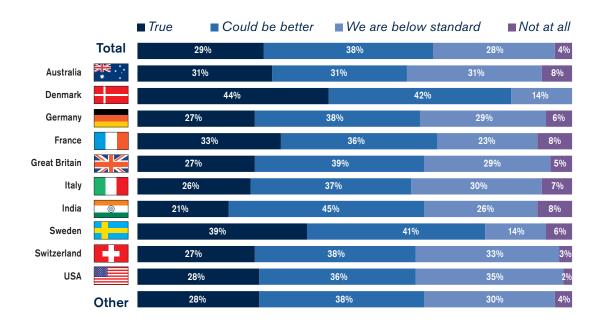
Please rate the following statements:

We command profound improvisational abilities

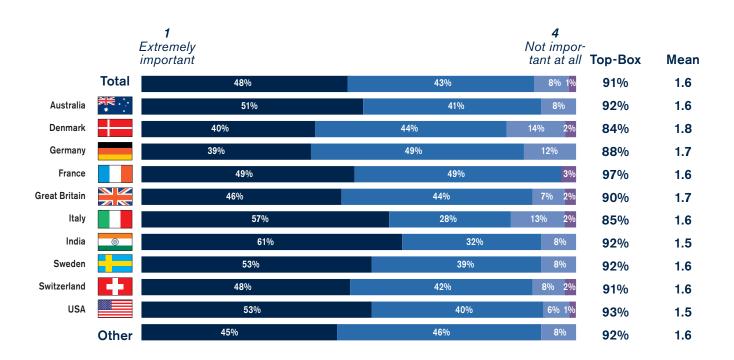


Please rate the following statements:

We move quickly from analysis to a plan of action

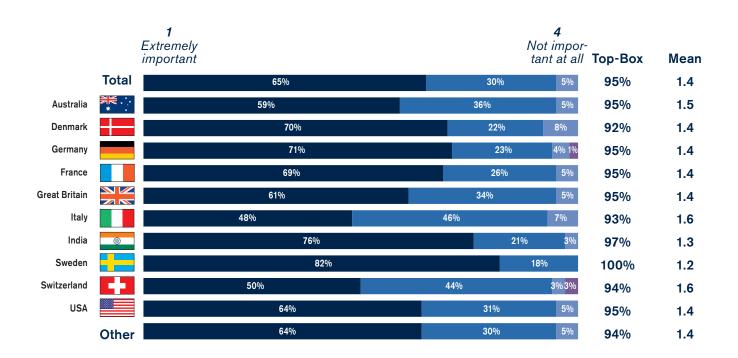


How important do you consider the following dimensions of leadership? Experience of dealing with crises

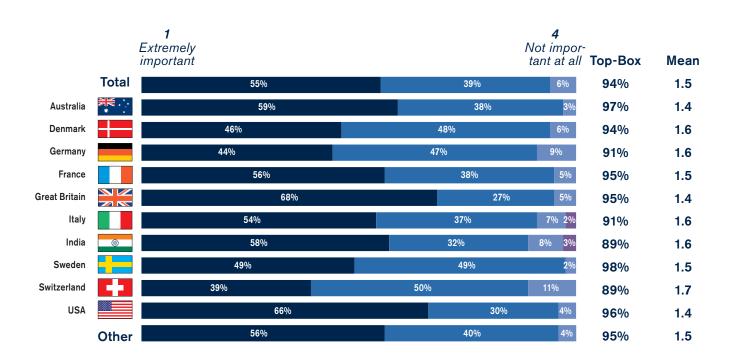


How important do you consider the following dimensions of leadership?

Enabling leadership and initiatives at all levels of the organization

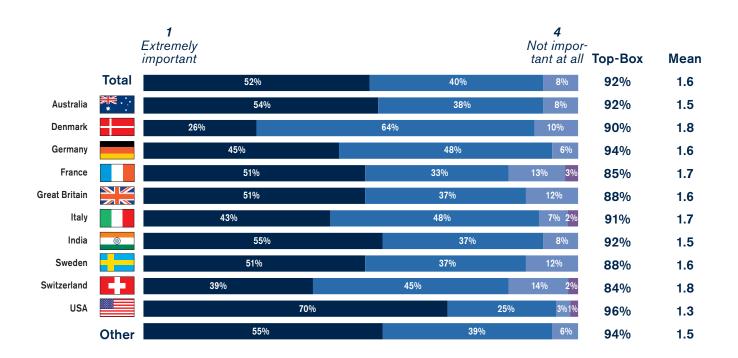


How important do you consider the following dimensions of leadership? Fostering a culture of adaptability

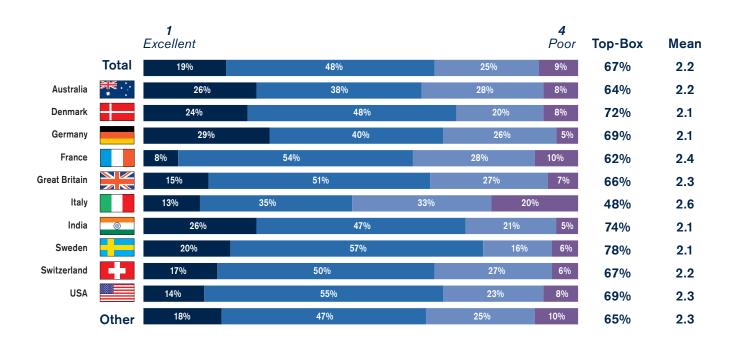


How important do you consider the following dimensions of leadership?

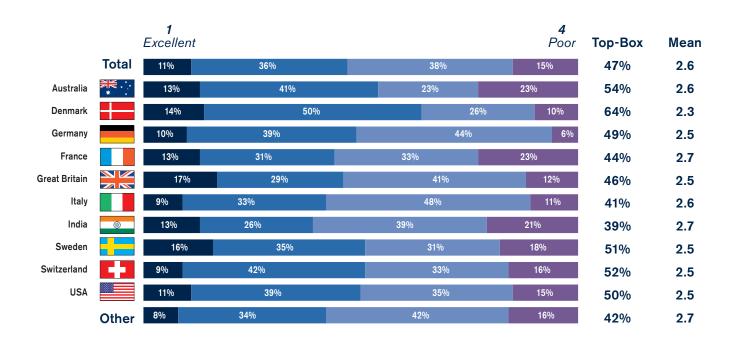
Rendering positive guidance in times of crisis and setbacks



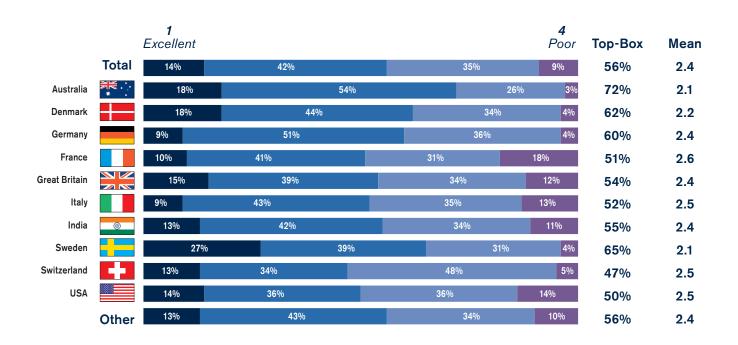
In terms of the above dimensions: How would you rate the top management teams at your company? Experience of dealing with crises



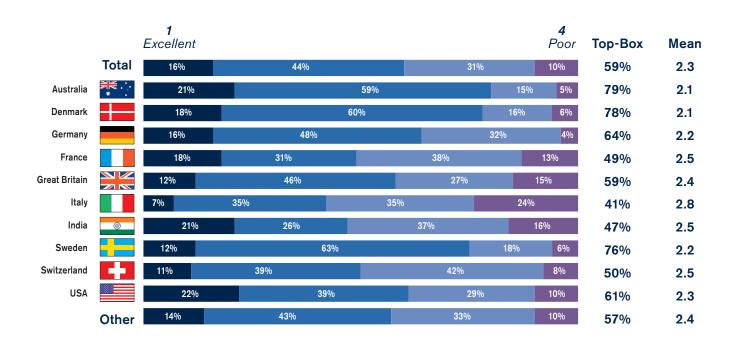
In terms of the above dimensions: How would you rate the top management teams at your company? Enabling leadership and initiatives at all levels of the organization



In terms of the above dimensions: How would you rate the top management teams at your company? Fostering a culture of adaptability

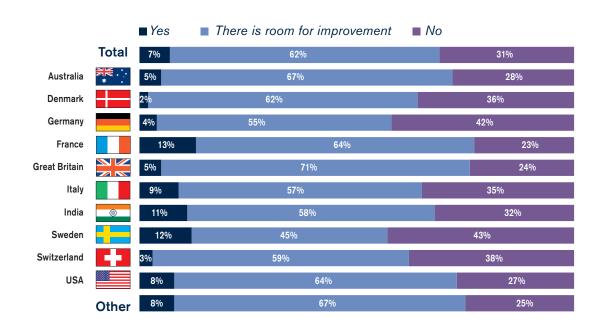


In terms of the above dimensions: How would you rate the top management teams at your company? Rendering positive guidance in times of crisis and setbacks



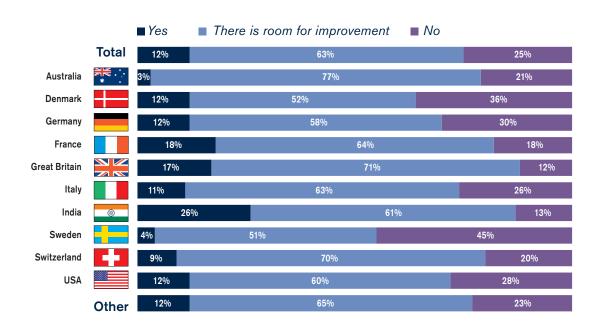
Considering the challenges that lie ahead, do you have sufficient leadership potential in place in terms of:

Business competencies



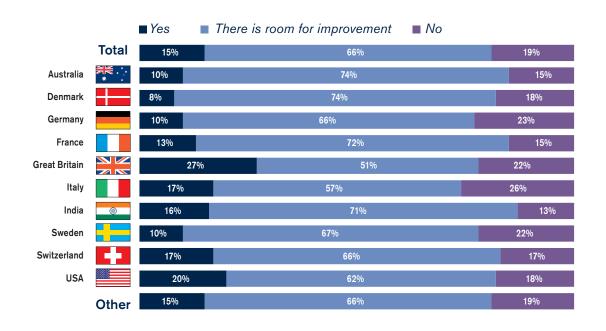
Considering the challenges that lie ahead, do you have sufficient leadership potential in place in terms of:

Innovation skills in terms of products



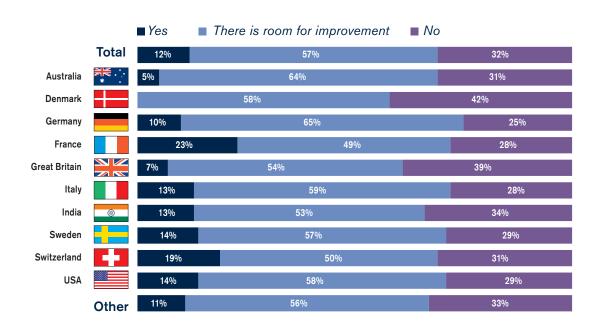
Considering the challenges that lie ahead, do you have sufficient leadership potential in place in terms of:

Innovation skills in terms of processes



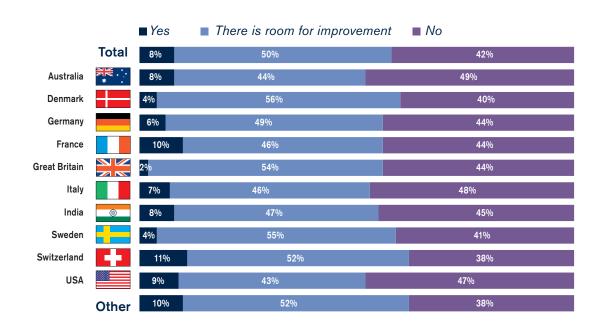
Considering the challenges that lie ahead, do you have sufficient leadership potential in place in terms of:

Ability to drive change



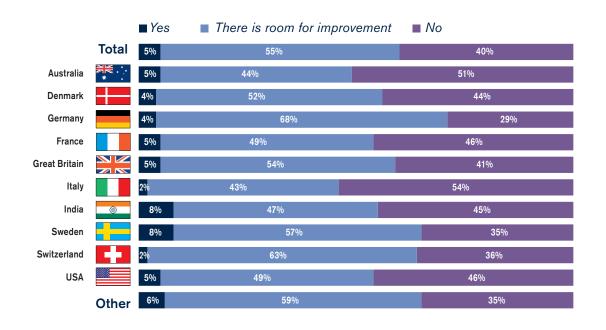
Considering the challenges that lie ahead, do you have sufficient leadership potential in place in terms of:

Customer focus



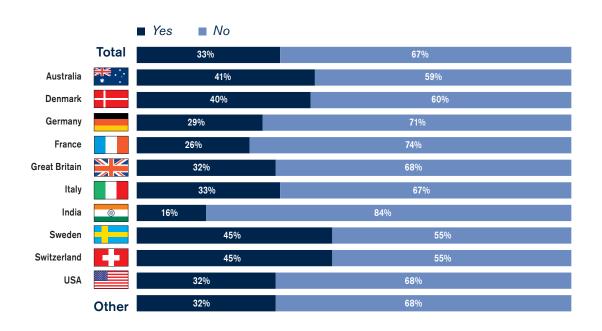
Considering the challenges that lie ahead, do you have sufficient leadership potential in place in terms of:

Personal resilience



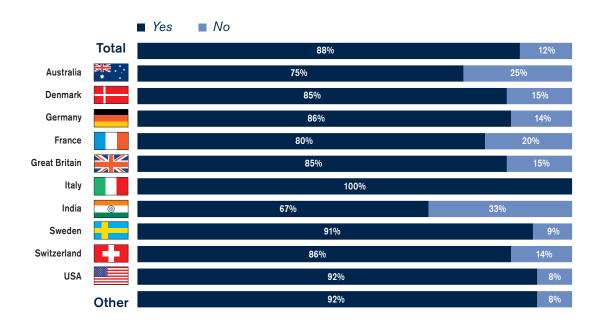
Succession planning

Do you have a well documented succession planning process for your leadership team in place?



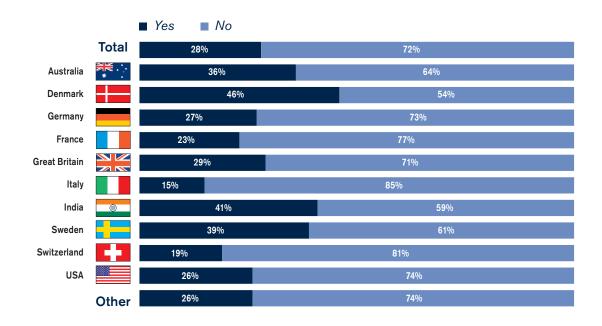
Succession planning

If yes, do you revisit the succession plan periodically to ensure it is consistent with your corporate strategy?



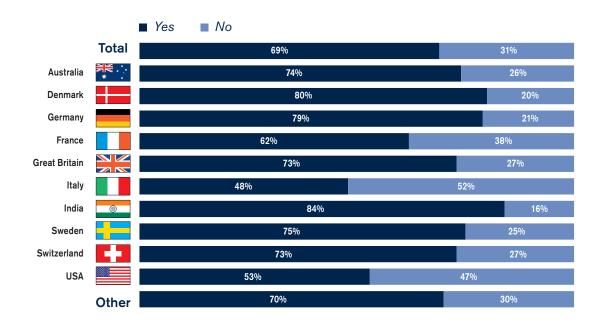
Lessons from the crisis - Do you agree with the following statements?

The worst is behind us. It's back to business a usual



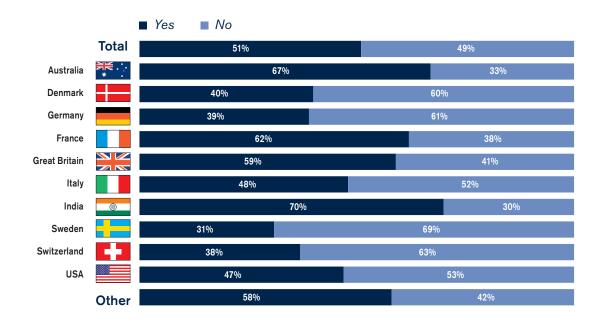
Lessons from the crisis - Do you agree with the following statements?

Our corporate mindset includes the belief that things can be turned around quickly and that crises can have a positive impact



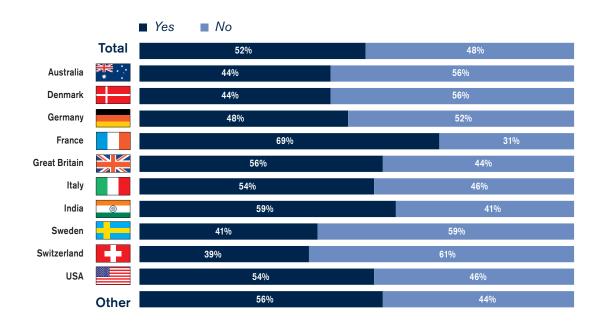
Lessons from the crisis - Do you agree with the following statements?

In our company, the crisis has led to significant changes in terms of: Business strategy



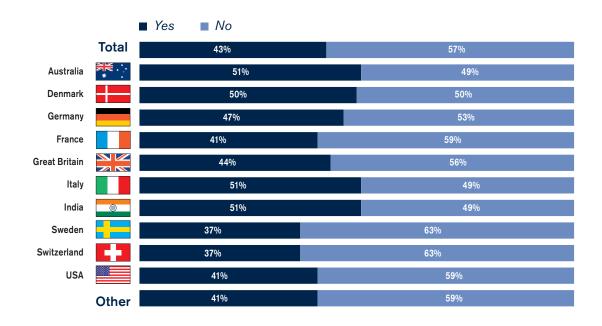
Lessons from the crisis - Do you agree with the following statements?

In our company, the crisis has led to significant changes in terms of: Structures

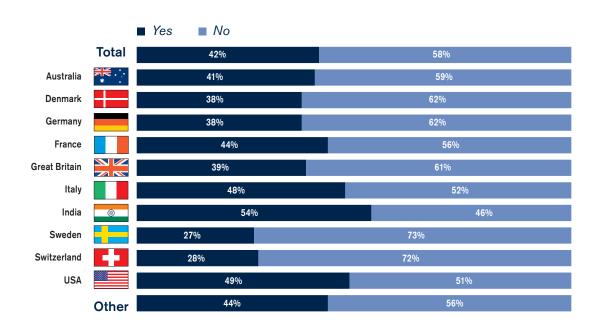


Lessons from the crisis - Do you agree with the following statements?

In our company, the crisis has led to significant changes in terms of: Processes

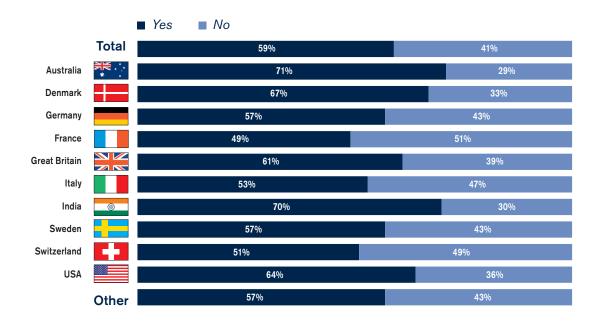


Lessons from the crisis - Do you agree with the following statements? In our company, the crisis has led to significant changes in terms of: Compensation/reward systems

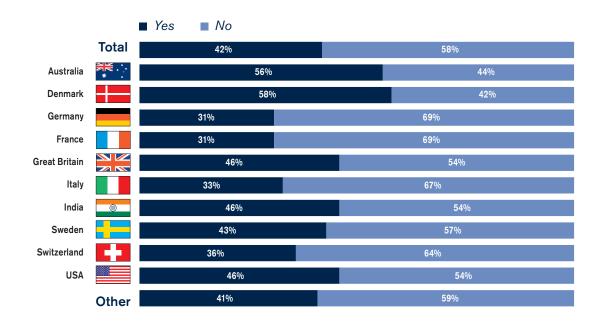


Lessons from the crisis - Do you agree with the following statements?

In our company, the crisis has led to significant changes in terms of: Behavior

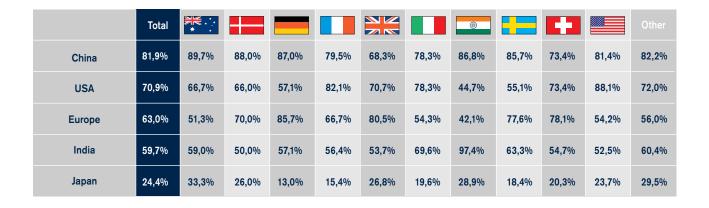


Lessons from the crisis - Do you agree with the following statements? Our top executives have become more self-critical



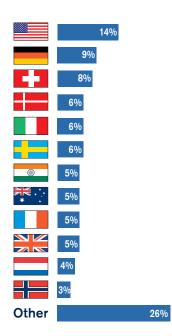
The global perspective

Which economic regions/countries do you consider best prepared for future challenges? Europe



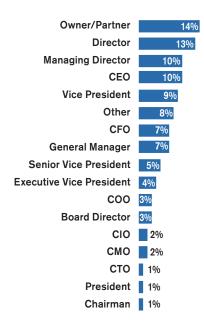
Country

In which country are you living and working at present?

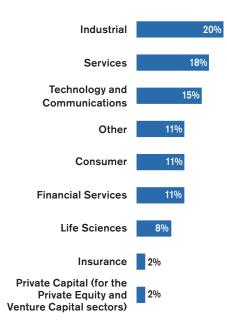


Present position

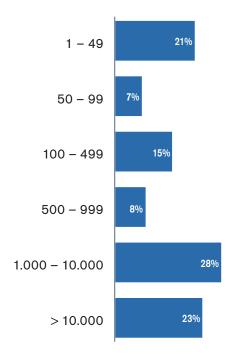
What is your present position?



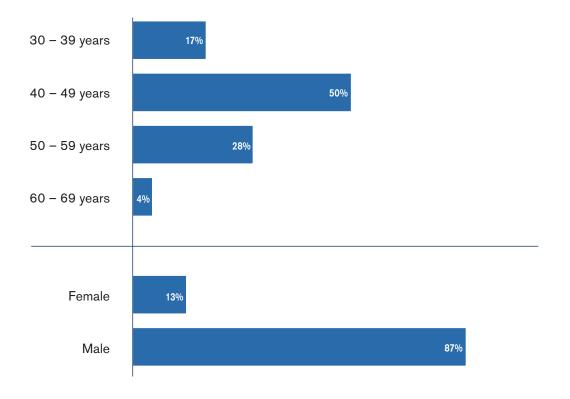
Branches



Number of employees



Age and gender



Concept and implementation

Egon Zehnder International Corporate Communications

Project manager: Markus Schuler

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