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# EY CEO Imperative Study 2019



For CEOs, are the  
days of sidelining  
global challenges  
numbered?

Study highlights

■ ■ ■  
The better the question. The better the answer.  
The better the world works.



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working world

# For CEOs, are the days of sidelining global challenges numbered?

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The intersecting forces of technological change, demographics and globalization have been highly disruptive. While economic, political and societal change have always taken place, the disruptions we see today occur at an ever-increasing pace with transformational impacts to the existing order. These disruptive forces drive growing global challenges beyond the scope of any one country or set of stakeholders to solve.

Widening income inequality, diminishing social safety nets and economic insecurity fuel populist movements. Climate change propels new waves of emigration. Gender inequality drives vulnerability and marginalization. Digital technologies threaten to displace millions of jobs and create new challenges around privacy, ethics and trust.

Despite the profound risks, governments have failed to respond effectively to these challenges. At the same time, it has become evident that large corporations, thanks to their worldwide footprints and extensive resources, have the potential to catalyze governments, NGOs and other stakeholders to find solutions.

As corporations have grown more powerful, employees, customers and other stakeholders expect CEOs to lead the way in addressing growing global challenges.

Large global challenges also pose direct risks to long-term corporate growth. Markets around the world continue to be disrupted by a diverse slate of challenges, including protectionist economic policies, technology backlashes and climate-driven natural disasters.

Yet to date, most CEOs have chosen to remain noncommittal with respect to global challenges, particularly those that are sources of political friction.

**EY's CEO Imperative Study, created by EYQ**, EY's think tank, shows that CEOs can no longer rely on the old excuses to remain on the sidelines of global challenges. Nor must they ask permission to be at the forefront of solutions—it's an expectation and a new growth imperative.

## Action on global challenges is the new growth imperative for business

We have arrived at a tipping point in corporate action on global challenges which will have a powerful impact. The world's largest companies are set to undertake a range of meaningful actions to address global challenges such

as income inequality, the ethics of AI, cybersecurity, and climate change.

This tipping point comes as the CEOs of global companies, their board directors and institutional investors align on the need for corporate action and, most importantly, CEO leadership on these issues.

Contrary to conventional wisdom, our survey of the CEOs, board directors and institutional investors of the world's largest corporations shows:

- Global CEOs see more growth opportunities than risks in acting on global challenges.
- Institutional investors are not a brake to corporate action. They endorse the corporate investments needed to make progress on these issues and increasingly focus on companies' response to global challenges in their investing.
- CEOs, board directors and investors agree that CEOs should be more active in leading on global challenges.
- Boards and investors will support a CEO who takes a stand on a politically-charged issue related to global challenges.
- Most CEOs believe that today's C-suite model is not well-suited to the demands and opportunities of the next decade.

To enable future growth, corporations must be proactive in formulating short- and long-term plans that demonstrably work toward solving the complex global challenges we face. CEOs and the companies that they lead can no longer sit on the sidelines.

Today, businesses must successfully operate under a new set of rules and expectations. As a result, obsolete C-suite structures will be swept aside, with the competitive advantage and upsides going to the companies that transform their leadership model to the imperatives of the 21st Century.

# Key findings

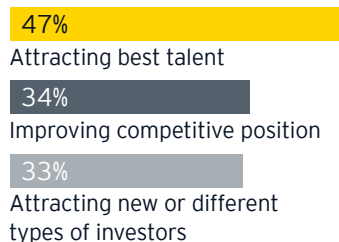
Leading on global challenges is no longer an option for companies and their CEOs—it's a growth imperative. Tackling the demands and opportunities of the next decade, however, will require C-suites to transform.

## CEOs' top 5 global challenges to business growth and the global economy

- 1 National and corporate cybersecurity
- 2 Technology-induced job loss
- 3 Income inequality and social safety nets
- 4 Ethics of AI
- 5 Climate change

## The growth imperative

CEO's top 3 growth opportunities arising from addressing global challenges



## The pressure to act

67% CEOs

Feel moderate to extreme stakeholder pressure to address global challenges

### Top three stakeholder groups demanding action



## Institutional investors embrace rather than resist action

83%

Corporate response to global challenges will become more important in their decision-making over next 5 years

60%

Support corporate investment to address global challenges, even at the expense of short-term financial performance

## An upside in addressing global challenges

57% CEOs

See greater opportunity than risk in becoming more active

43% Investors

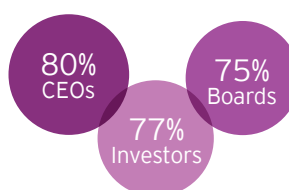
49% Boards



## We're at a tipping point

51% CEOs

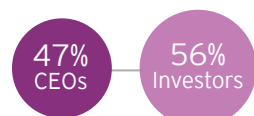
Believe the world's largest companies should be engaged in addressing global challenges to a great extent



Believe government, business and the public will reward companies for taking meaningful action over the next 5-10 years

25% CEOs

Have taken 7 or more of 10 key actions to address global challenges, making them the leading group in the population



Expect companies to become more active to a great or very great extent over the next 5-10 years

## C-suites need to adapt

Only 34% CEOs

Believe the C-suite structure is suited to the challenges of the next decade

Study findings are based on survey interviews of 200 global CEOs and 100 independent directors among the Forbes Global 2000 and Forbes Largest Private Companies, and 100 senior institutional investors globally from firms with at least US\$100b in assets under management. See p.13-14 for further details.



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Future corporate growth depends on trust, whether between corporations and customers, people and technology, or management and employees. The increasing risk of cyber-attacks and the failure to find the right balance of digital and human in the workplace damages trust in all these critical dimensions.

**Gil Forer**

Lead Partner, Digital and Business Disruption, and EYQ leader, EY

## Five key global challenges threaten business growth

Q

What are the top three global challenges in terms of their potential to harm business growth and the global economy over the next 5-10 years?

CEOs, board directors and institutional investors put two global challenges at the top of their lists of issues threatening business growth and the global economy:

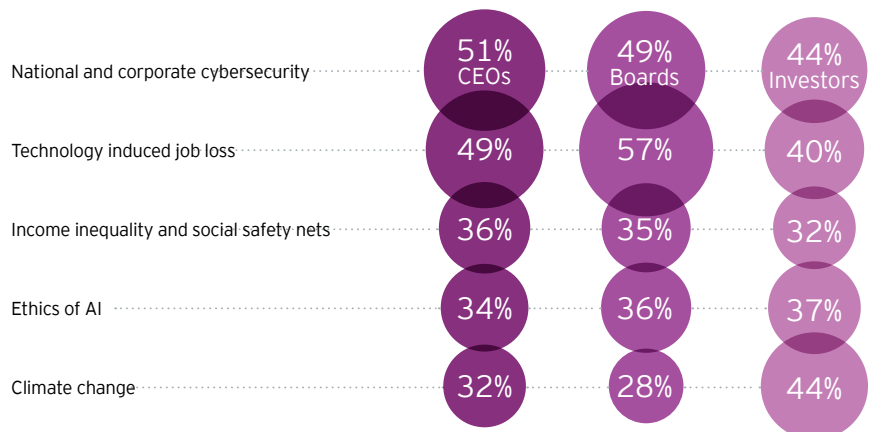
- ▶ National and corporate cybersecurity
- ▶ Job loss due to technology change and the associated issues of education and reskilling

These represent immediate disruptions, which influence the future of work, consumer trust and regulation.

CEOs also emphasize income inequality, likely influenced by the impact of this issue on their customers as well as the political volatility it is driving.

Board members prioritize the ethics of AI as they grapple with questions of bias and trust raised by this new technological capability.

Investors put climate change at the top of the list. This group has raised concerns for some time about the risk to long-term value from climate disruptions, which are becoming increasingly evident.



Big companies feel stakeholder pressure to act

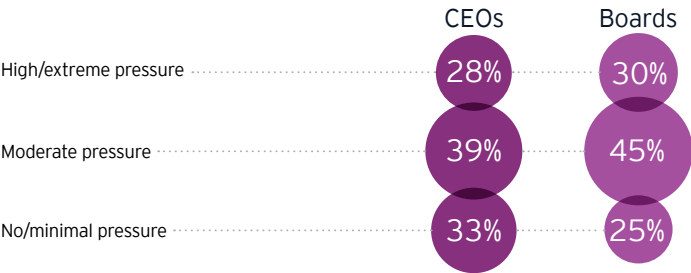
**Q** To what extent do you feel stakeholder pressure to become more active in addressing global challenges?

Customers are the number one pressuring stakeholder group, according to a majority of CEOs (52%). The executives also frequently cite shareholders (40%), employees (40%), and the public (39%) among the most pressuring stakeholders.

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As companies navigate to the future, this requires even stronger commitment to understanding their customer and to building business models with an unparalleled level of customer centricity.

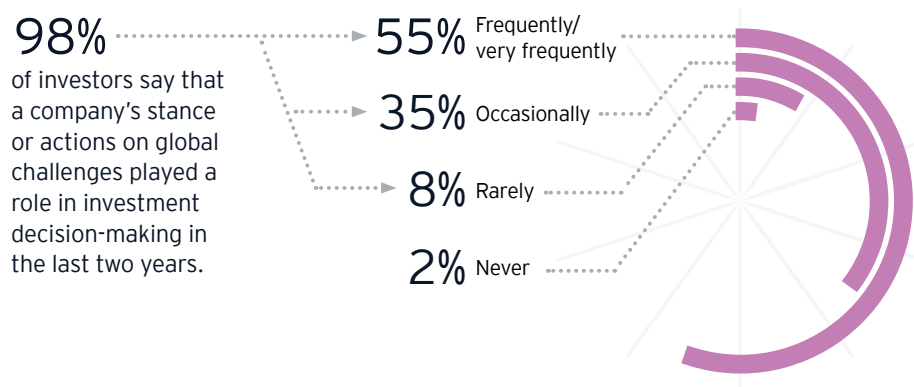
**Bill Kanarick**  
Global Customer Advisory  
Leader, EY



## Institutional investors embrace rather than resist corporate action

**Q** In the past two years, how frequently has a company's stance and/or actions related to a global challenge played a role in your investment decision-making?

Contrary to conventional wisdom, institutional investors are not a brake on corporate action. They endorse the corporate investments needed to make progress on these issues and will increasingly factor the corporate response to global challenges into their investment decisions.

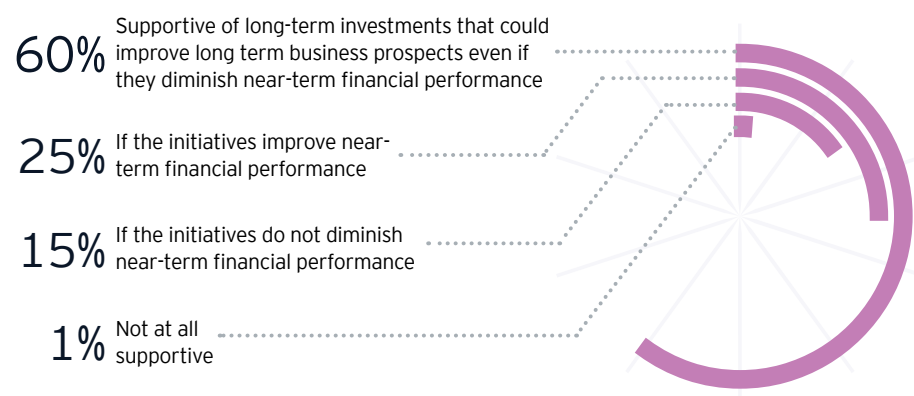


Crucially, 83% of investors say that corporate stance/actions on global challenges will become a more important factor in decision-making over the next five years.

## Investors put long-term growth ahead of near-term performance

**Q** What best describes your point of view on dedicating company resources, including the CEO's time, to addressing global challenges?

Responses from institutional investors indicate that it is time to reassess the view that they prioritize short-term performance over long-term growth. The majority support long-term investments to address global challenges even if near-term performance is diminished. Only 25% say that such initiatives must improve near-term performance.

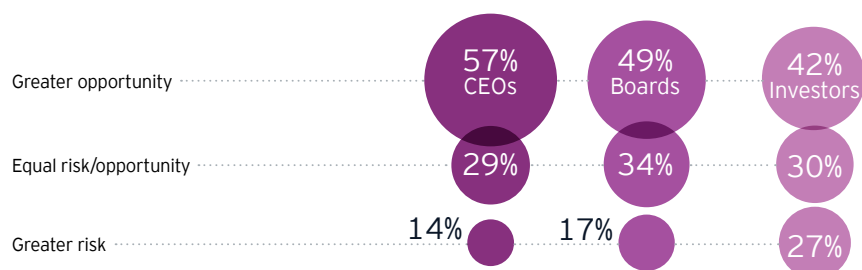


## There is more opportunity than risk in becoming more active

**Q** As you consider how global challenges relate to the long-term corporate growth, do you see greater risks or opportunity in becoming more active on global challenges?

Corporate action on global challenges brings both opportunities and risks. On the one hand, making progress to solve global challenges helps to lay the foundation for long-term sustainable growth and offers the opportunity to deepen relationships with customers, employees and other important stakeholders. On the other hand, not every stakeholder necessarily agrees on the correct actions to take and there are risks in execution.

Looking at the balance of opportunity and risk, the majority of CEOs see greater opportunity than risk in becoming more active on global challenges. Boards and investors are not far behind, with a plurality of each seeing a greater opportunity. None of the three groups sees greater risk than opportunity in taking action.



CEOs say that attracting the best talent is the biggest growth opportunity that comes from becoming more active on global challenges. Improving competitive position (34%) and attracting new or different types of investors (33%) are also frequently cited.

## We are at tipping point in corporate action on global challenges

**Q** Describe your company's status in relation to the following actions to address global challenges

Board directors and investors prioritize two actions that drive internal transformation and align the organization to progress on global challenges.

The world's largest companies have already undertaken important actions to address global challenges. Of ten key actions, most companies have linked corporate purpose to addressing global challenges. Nearly half have taken several other key actions. Participation decreases, however, as the level of change from business as usual increases.



Leaders and laggards in the corporate response to global challenges are emerging:

**Leaders:** these are the 50 companies (25% of sample) that have taken seven or more of the ten key actions on global challenges. More than three-quarters of the leaders have taken the two actions prioritized by investors and board directors.

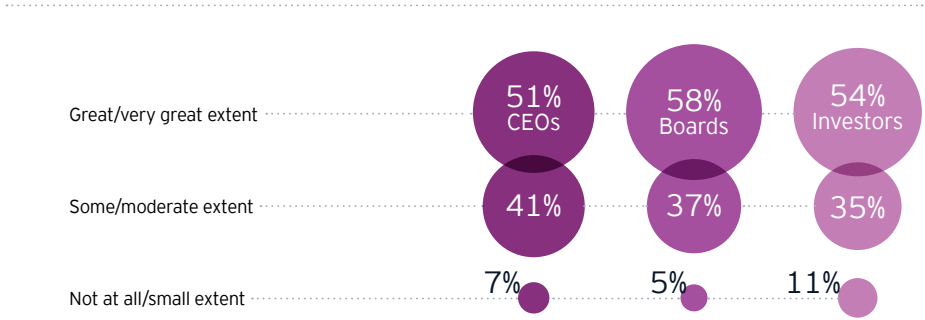
**Laggards:** these are the 56 companies (28% of sample) that have taken only two or fewer of the ten actions. Fewer than 15% of the laggards have taken either of the board and investor priority actions.

World’s largest companies should be highly engaged in addressing these global challenges

**Q** How engaged should the world’s largest companies be in addressing the challenges like the ones you just identified?

The majority of respondents in all three survey groups say that that world’s largest companies should be engaged to a “great” or “very great” extent in addressing the top global challenges they identified.

Surprisingly, an even greater share of institutional investors (54%) and board directors (58%) than CEOs (51%) say that big companies should be involved in solving global challenge to a “great” or “very great” extent. This demonstrates the strong support CEOs have to take action—there are no more excuses for staying on the sidelines.



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CEOs, boards and investors recognize they have a role to play — along with the public sector — in addressing social challenges that speak to their values and in pursuing inclusive, sustainable growth. It’s encouraging to see signs of support within the investment community for long-term value creation, even when it could diminish short-term financial performance.

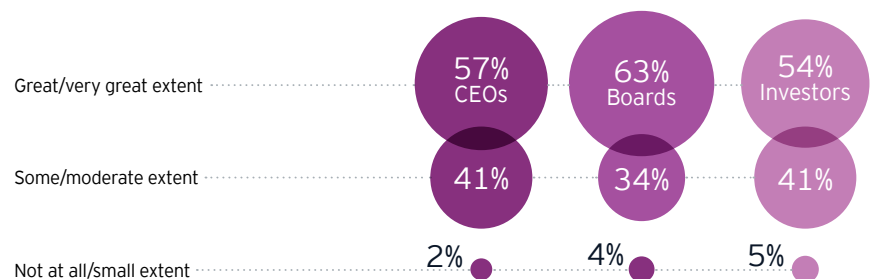
**Carmine Di Sibio**  
EY Global Chairman and CEO



## CEOs must take a more active role and lead

**Q** To what extent is it in the best interest of large companies for their CEOs to take a more activist role on global challenges?

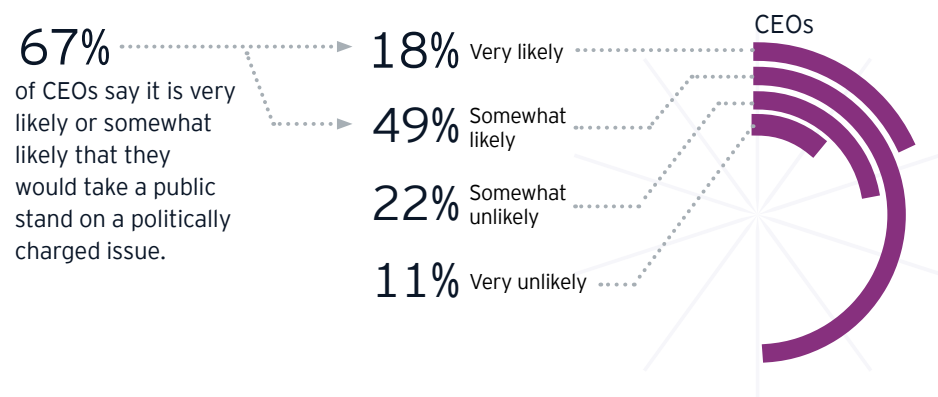
It is not enough that the company be engaged on global challenges—the CEO must lead. The majority of respondents in all three survey groups also say that it is in the best interest of large companies for CEOs to take a more active role on global challenges. Fewer than 10% percent of respondents in any of the three groups disagree that a CEO should be more active on global challenges.



## CEOs are likely to take a stance on a politically-charged issue

CEOs have traditionally shied away from the political, but when it comes to global challenges they say they are prepared to engage.

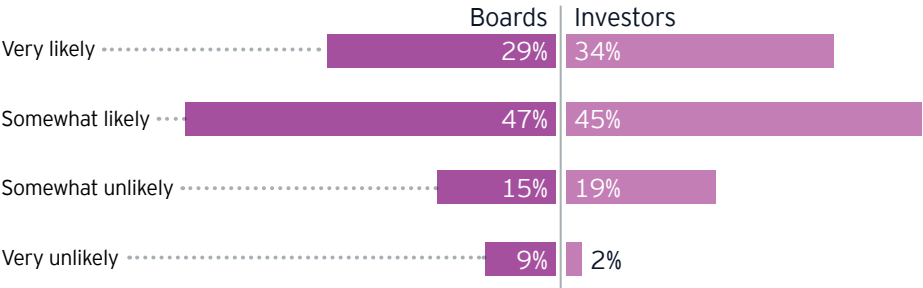
**Q** How likely would you be to take public stance on a politically-charged issue?



Investors and board directors are even more likely to support CEOs in taking a stand

**Q** How likely is it that you would support a CEO taking a public stance on a politically charged issue related to a global challenge?

CEOs may be surprised to learn that board directors and investors have a more favorable view than their own on taking a public stance on a politically charged issue related to global challenge. Approximately a third of respondents in both groups are very likely to support a CEO in this regard. In all, more than three-quarters of the two groups are very likely or somewhat likely to support a CEO's public stance.





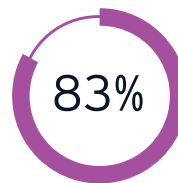
## The next decade will see a business transformation on global challenges

**Q** How will the roles of governments, business and the public will evolve over the next 5-10 years to address global challenges?

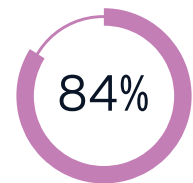
Global challenges are ones that cannot be solved by any one country or set of stakeholders. CEOs, board directors and investors foresee a world in which significant progress has been made in public-private partnerships, reporting standards and cross-industry collaboration needed to address them successfully.



of CEOs say that government, business and the public will reward companies for taking meaningful action on global challenges, which means that competitive advantage can be gained through leadership on these issues.



of board directors say that public-private partnerships to address global challenges will become more common, which suggests that the ability to collaborate with different levels of government will become an increasingly important skill set.



of institutional investors believe that corporate reporting will shift to a focus on long-term strategy, growth and sustainability. This underscores the strength of the shift toward a focus on long-term value and movement away from short-term financial reporting.

# A new C-suite model is needed for the challenges of the next decade

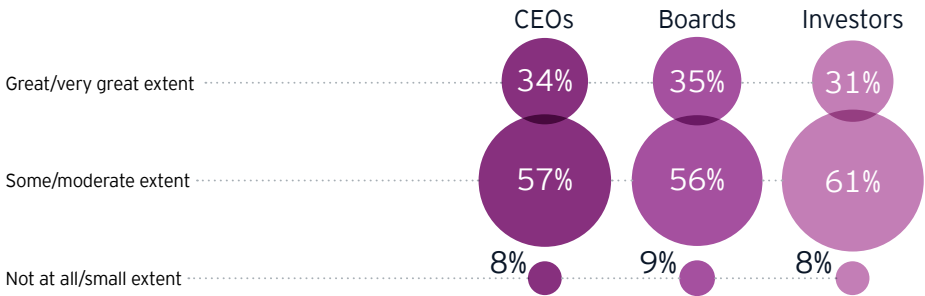
**Q** Is the C-suite model that has developed over past decades well-suited to the demands and opportunities of the next decade?

The current corporate C-suite structure is a legacy of business evolution in the post-War era. Today, in addition to growing global challenges, companies face numerous pressures and opportunities--such as digital disruption, business model transformation and geopolitical risk--that create new demands for the C-suite. Yet only a third of CEOs, investors and board directors give the current C-suite structure a firm endorsement:

**34%**  
of CEOs say the current C-suite structure is well-suited to a very great or great extent to the demands and opportunities of the next decade.

**31%**  
of investors and 35% of board members agree with this assessment.

The challenges and opportunities of the 21st Century will be on a new scale, demanding new C-suite structures and capabilities in three critical pillars: future of work, technology and innovation.



# Population: Forbes Global 2000 and Forbes Largest Private Companies

## 200 global CEOs

CEO geography

37% Asia-Pacific

35% Americas

28% EMEA

72% Male

28% Female

66% Public

34% Private

Company revenues

\$20b or more ..... 21% 37% ..... \$5b to \$9.99b

\$10b to \$19.9b ..... 34% 8% ..... \$1b to \$4.99b

## 100 independent directors

Board HQ geography

40% Asia-Pacific

35% Americas

25% EMEA

83% Male

17% Female

67% Public

33% Private

Company revenues

\$20b or more ..... 19% 28% ..... \$5b to \$9.99b

\$10b to \$19.9b ..... 23% 30% ..... \$1b to \$4.99b

## 100 senior institutional investors

Investor HQ geography

42% Asia-Pacific

36% Americas

22% EMEA

75%  
Male

25%  
Female

Investor AUM

\$500b or more ..... 20%

\$200b to \$499b ..... 40% 40% ..... \$100b to \$199b

Forbes Insight conducted the fieldwork between January and April 2019.

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EYQ, EY's global think tank, generates new insights by bringing together business, the public sector and academia to challenge entrenched thinking, shift perceptions and help catalyze change. We want to sense new trends early, and understand and communicate their implications quickly and powerfully. By seeking the answer to "What's after what's next?", we help leaders anticipate the forces shaping our future - empowering them to seize the upside of disruption and build a better working world.

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