

The Deloitte logo, consisting of the word "Deloitte" in a bold, blue, sans-serif font, followed by a small blue dot.

Deloitte Business
Confidence Report 2014
The Gap Between
Confidence and Action



Letter from Jim Moffatt



Confidence is the ultimate decision driver for today's business leaders — either propelling them to make bold bets or inhibiting them from taking decisive actions that will help them overcome obstacles to growth.

To gauge confidence among America's top leaders in several key elements of business — their ability to grow, to overcome risks, and to innovate — we conducted the first-ever Deloitte Business Confidence survey this year. The study explored the attitudes of both today's and tomorrow's C-suite leaders.

Our findings are telling, and reveal a confidence gap between what leaders say and do. While leaders are eager to act, they are uncertain about the course of action to address opportunities and obstacles. They're comfortable that they'll attain their business goals in the near term, but aren't as bullish on whether they have a sufficient leadership pipeline in their organizations. They agree on innovation's importance but may be missing opportunities to make it a part of their business' DNA.

In a rapidly evolving business landscape, it is critical that America's business leaders act decisively in an uncertain business environment. This survey is a step toward better understanding confidence — where it exists and where it's lacking among today's and tomorrow's leaders.

As always, we welcome the opportunity to discuss these issues, how they relate to your business, and how we can help to close the confidence gap.

Jim Moffatt

A handwritten signature in black ink that reads "Jim". The signature is fluid and cursive, with a large, sweeping "J" and a simple "m".

CEO and Chairman of Deloitte Consulting LLP

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Executive summary

The decisions America's top business leaders make each day have the power to change the direction of our global economy.

Yet, the uncertainty in the economic environment since the 2008 crisis has challenged business decision making at all levels and led to a slowdown in major investments. As the economy shows signs of recovery, a number of different indicators are finally pointing to an increase in business confidence. However, the findings of a recent Deloitte survey indicate that this confidence is not always translating into action.

Findings of the inaugural *Deloitte Business Confidence Report 2014: The Gap Between Confidence and Action* suggest a confidence gap in terms of America's top leaders' (CXOs and CXOs-in-Waiting, a.k.a. CXOWs) professed ability to grow their businesses and the actions they take to drive that growth. This disconnect between what leaders say and do has the potential to hamper long-term business decisions and investments.

According to the *Deloitte Business Confidence Report 2014*, America's top leaders are confident that they will outpace the competition, but they display a lack of focus on investments that will help them overcome obstacles to growth. In fact, nearly half of CXOs and CXOWs surveyed have some doubts about their preparedness in overcoming obstacles, including cyber risk and market disruptions, such as new business models.

A majority of CXOs say their direct reports do not have the skills to become part of the C-suite. But those CXOWs who have expressed the ambition to become part of the C-suite say lack of access to leadership training is an obstacle to their assuming greater leadership roles.

A majority of the leaders surveyed believe in the ability of their organization to innovate faster than the competition, but they are divided on how to drive innovation.

Confidence is a common denominator for business success, but without clarity in vision and a plan for action, confidence can be fleeting.

It is crucial that business leaders have the foresight to anticipate disruptions and the confidence to drive change and invest in high priority areas — both to fuel growth and mitigate risks that could hamper growth — as well as the ability to quickly identify future trends and threats to stay ahead of the competition. America's top executives must also embrace their roles in developing future leaders and sharpen their focus on innovation. Organizations' ability to sustain growth depends on whether their leaders can be bold and confident enough to take calculated investment risks — in terms of time, focus, and resources — that will drive long-term competitive advantage.



The Inaugural *Deloitte Business Confidence Report 2014: The Gap Between Confidence and Action* Reveals a Confidence Gap Among America's Top Executives

America's top business leaders are professing confidence in their ability to outperform the competition, but are not acting with confidence when it comes to making business decisions or addressing specific obstacles.



America's top executives are **professing** confidence, but **not acting** with confidence for the long term.



A majority of CXOs and CXOWs feel confident about their organizations' overall ability to outperform the competition, but their confidence decreases when asked about their preparedness to address market disruptions, or overcome obstacles to growth.

A majority of America's top business leaders are very confident about their organizations' ability to outperform their competition in the next 12 months.

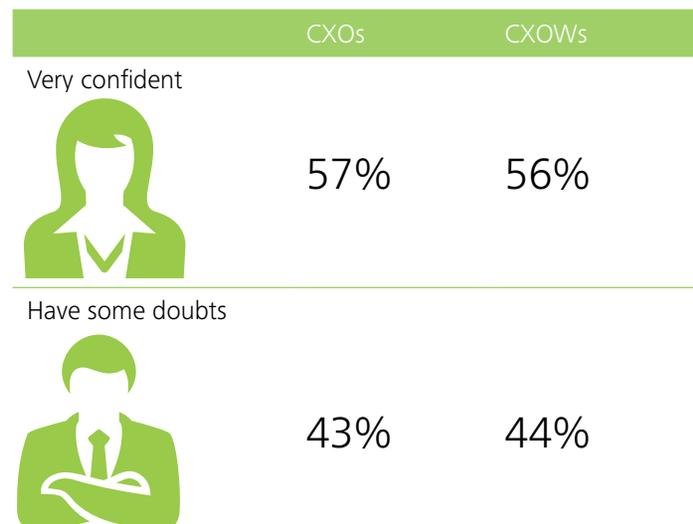


CXOs and CXOWs are mostly aligned in terms of what constitutes obstacles to company growth in the next 1-3 years.

Obstacles to growth	CXOs	CXOWs
Market slowing	33%	35%
Cyber risk	32%	30%
Shortage of skilled workers	32%	37%
Tax constraints	31%	30%
Regulatory constraints	31%	33%

Obstacles to growth	CXOs	CXOWs
Existing market competitors	30%	34%
Lack of resources for investments	29%	30%
Competition from emerging markets	28%	33%
New market entrants	28%	34%

Nearly half of CXOs and CXOWs have some doubts about their ability to successfully address these obstacles.



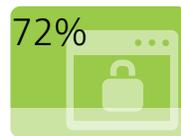
A significant number of CXOs and CXOWs do not feel completely prepared to address various market disruptions. CXOs feel more confident in their ability to address emerging technologies and competition from emerging markets than CXOWs.

Not completely prepared	CXOs	CXOWs
Emerging technologies	43%	53%
New business models	46%	45%
Disruption from current competitors	45%	46%
Competition from emerging markets	35%	46%
Increased pace of innovation	42%	44%

Most CXOs recognize that they do not display confidence in long-term business decisions, and CXOWs hold them to a higher standard.



CXOs are not making investments to address the obstacles that they specifically identified as barriers to company growth:



A significant majority (72%) of those CXOs who say "cyber risk" is an obstacle to growth do not prioritize investments in both technologies and investments in incident response



About two thirds (67%) of those CXOs who cite "competition from emerging markets" as an obstacle to growth do not prioritize investments in both employees and business strategy

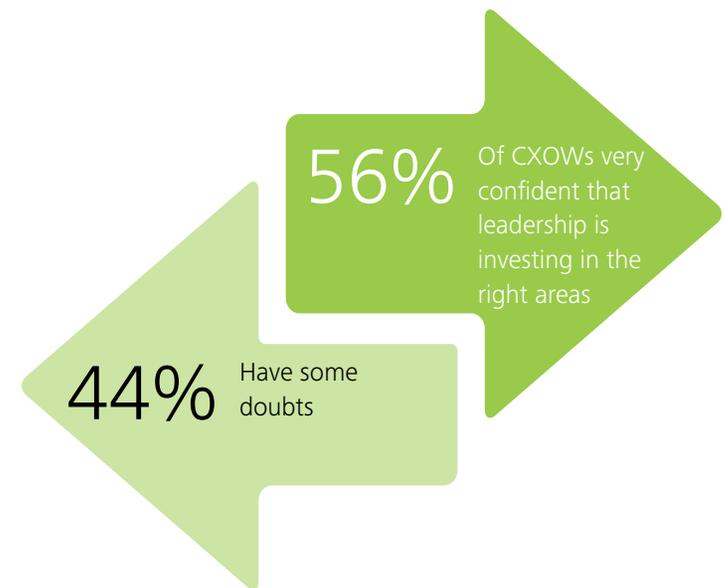


Nearly half of those CXOs who cite "tax constraints" as an obstacle to growth do not prioritize investments in the capabilities of their tax department



35% of those CXOs who cite "shortage of skilled workers" as an obstacle to growth do not prioritize investments in employees, such as advanced recruiting and training programs.

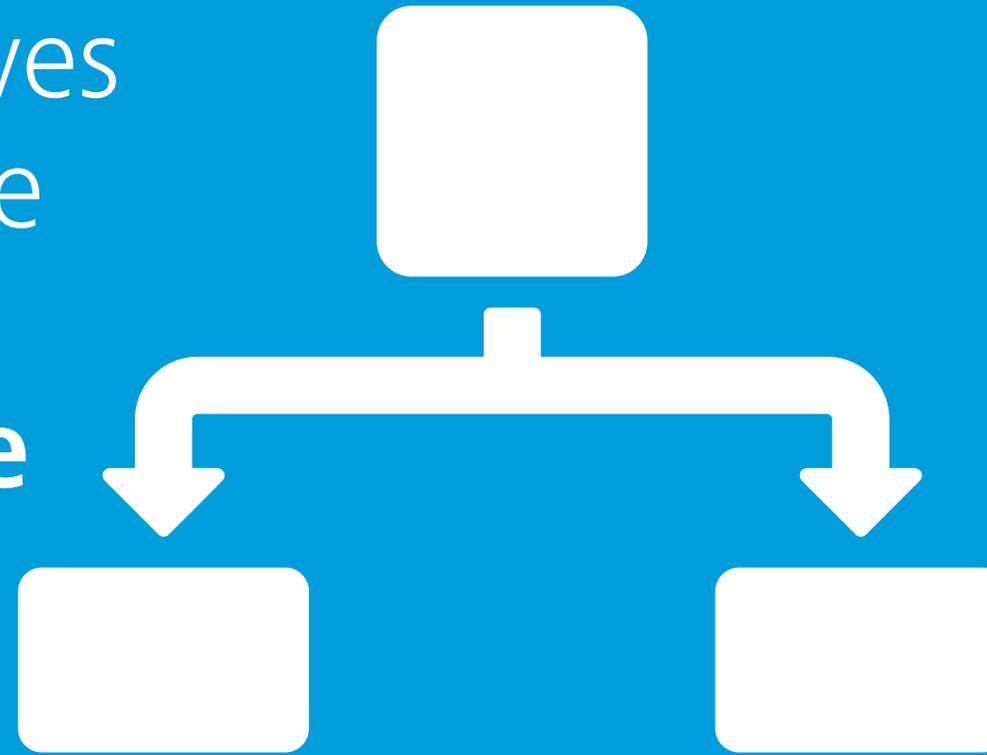
Underscoring this disconnect between obstacles to growth and priority investment areas, nearly half (44%) of CXOWs have doubts about whether their leaders are investing in the right areas.



Bottom line:

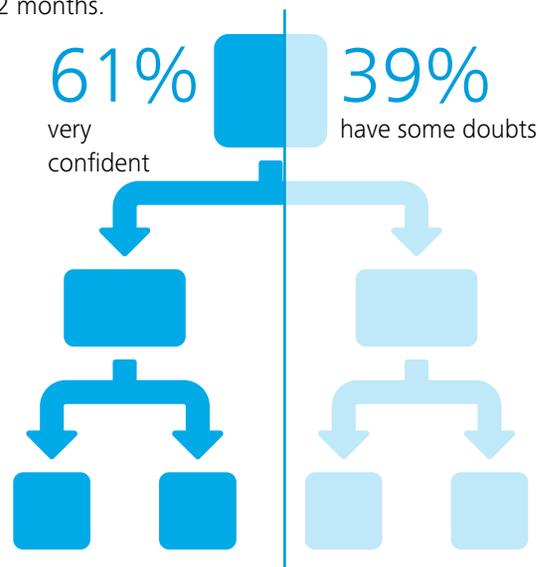
Fueling our economy requires decisive action and projecting confidence at the highest levels of corporate America. It is crucial that business leaders have the foresight to anticipate disruptions and the confidence to drive change and invest in high-priority areas — both to fuel growth and mitigate risks that could hamper growth. Leaders must also have the ability to quickly identify future trends and threats to stay ahead of the competition.

America's
top executives
demonstrate
a **lack of**
confidence
in **future**
leaders.



The doubts expressed among CXOs and CXOWs about their business strategies and investments also extend to their confidence in the leadership pipeline.

A majority of CXOs are very confident that their direct reports will meet the business goals for which they are responsible in the next 12 months.



But less than half of CXOs say their direct reports have the skills to become part of the C-suite while CXOWs are even more pessimistic.



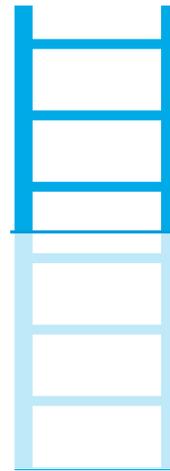
Nearly half (44%) of all CXOs cite **“lack of personal ambition and motivation”** as an obstacle for their direct reports assuming greater leadership roles.

Meanwhile, **50% of CXOWs** who **have** expressed ambition to become part of the C-suite cite **“little or no access to leadership training”** as one of the main obstacles to their assuming greater leadership roles.

The survey found that less than half of CXOWs receive the support they need from their organization to advance in their careers.

My organization creates opportunities for me to succeed

49%



I have the resources I need to advance my career

49%



And CXOs agree — while more than half believe the organization creates opportunities for employees to succeed, less than half are committed to developing leadership skills and reported offering little or no leadership training.

	CXOs
As an executive, I am committed to developing leadership skills at all levels of the organization	49%
The organization creates opportunities for employees to succeed	56%
Little or no access to leadership training is an obstacle to growth within my organization	43%

Bottom line:

The results indicate that business leaders need to make a bigger commitment to developing leadership at all levels of the organization. The talent landscape has shifted dramatically since the Great Recession but organizations' strategies to develop talent and leaders have not caught up with those changes. In a highly competitive talent market, leaders can no longer treat talent and leadership development as being independent from their overarching business strategy and goals. America's top executives must embrace their role in developing and investing in future leaders, or risk losing their competitiveness in a global marketplace.



America's top leaders
are confident in their
ability to innovate,
but disagree on **how**
to drive innovation.



In today's rapidly changing business environment, there is no doubt that innovation is a key factor in business growth. Yet, America's top leaders seem to have trouble moving beyond the buzzword and are split on how to foster innovation.

A majority of CXOs and CXOWs are extremely confident about their ability to innovate.

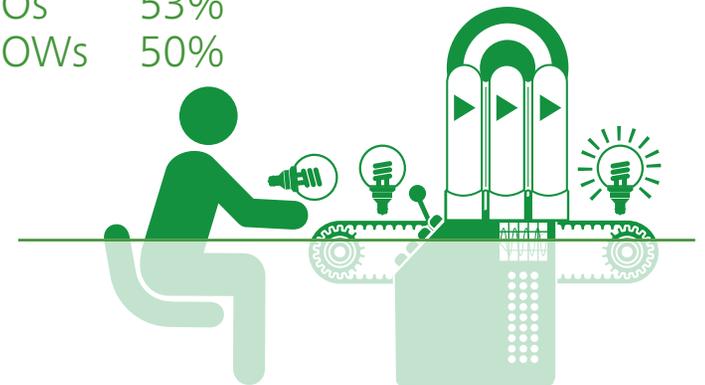


73% of CXOs and 75% of CXOWs believe their organizations innovate at a faster pace than the competition

CXOs and CXOWs are almost evenly split when asked to describe the nature of innovation.

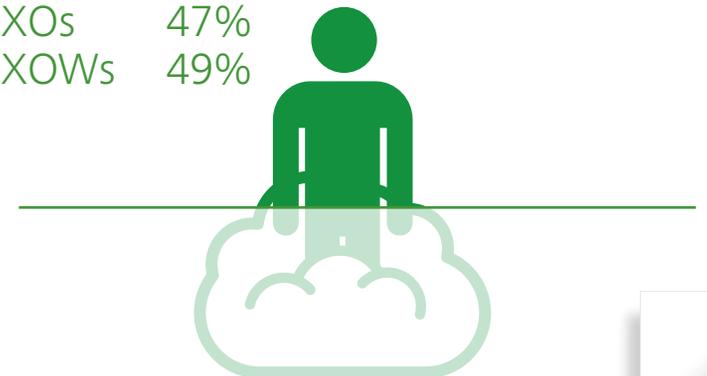
Innovation can be learned and repeatable. Organizations can become good at innovation by following established processes and practices.

CXOs 53%
CXOWs 50%



Innovation is spontaneous and random. It does not come from processes and practices but by allowing people to operate in unstructured and unconventional ways.

CXOs 47%
CXOWs 49%



CXOs are divided on how to apply innovation and are not prioritizing some of the more structural methods — such as incorporating contributions to innovation in performance reviews and implementing innovation processes and practices.

What are executives in your organization doing to foster or drive innovation?



45% Allowing time for employees to innovate



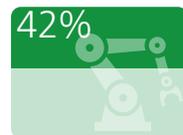
38% Creating alliances with other organizations



43% Building a culture that embraces innovation



36% Incorporating contributions to innovation in performance reviews



42% Adopting new technologies



35% Demonstrating a willingness to take risks on innovation



42% Encouraging teamwork and collaboration



33% Implementing innovation processes and practices



39% Providing ongoing employee training and development programs

Bottom line:

Innovation requires both creativity/spontaneity and process/structure to succeed. But it's important to understand that innovation rarely fails due to a lack of creativity; it usually fails due to a lack of discipline. Those that develop a disciplined and balanced approach to innovation will be better prepared to foster a culture that truly unleashes the creative power of the organization as a whole and makes innovation part of their DNA.





Report conclusion

The findings of the *Deloitte Business Confidence Report 2014: The Gap Between Confidence and Action* showcase a sense of professed confidence among America's top business leaders, but a lack of focus on making the investments that will help them overcome obstacles, develop the right leadership skills, and drive innovation.

This confidence gap in corporate America has the potential to send mixed signals across organizations and, as a result, impede business investments that fuel growth.

This is a critical moment in time for business leaders, who are under pressure to be bold in the face of adversity and risk. To do that, they need to have the foresight to detect disruptions before they become threats, and to be comfortable with operating in an uncertain business environment.

The actions taken now will determine which businesses will thrive in a rapidly evolving marketplace. **There hasn't been a more crucial time for America's top business leaders to act with confidence.**

About the Survey

The Deloitte Business Confidence 2014 survey was conducted among two groups: 1) 300 US "CXOs," defined as US adults employed full-time with C-level titles at companies with 1,000 or more employees, and 2) 300 US "CXOs-in-Waiting," defined as US adults ages 33-48, employed full-time, with a professional title of SVP, Executive VP, or equivalent, at companies with 1,000 or more employees, who will likely be promoted to a C-level position in the next 5-10 years. All survey respondents also had a college degree or advanced degree.

The survey was fielded between July 7th and August 4th, 2014, using an email invitation and an online survey. For the interviews conducted in this particular study, the chances are 95 in 100 that a survey result does not vary, plus or minus, by more than 5.7 percentage points from the result that would be obtained if interviews had been conducted with all persons in the universe represented by the sample.

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