



Deloitte Business  
Confidence Report 2016:  
The bold organization—  
innovate, lead, attract



# Welcome



I am excited to share with you the [Deloitte Business Confidence Report 2016](#): *The bold organization—innovate, lead, attract.*

When we began analyzing the role of business confidence among the C-suite with our [first report](#) in 2014, we knew that confidence played a major part in executives' ability to plan and execute business strategies, but we were intrigued to learn just how much.

Our first report's findings revealed a significant gap in what leaders say and do in major business areas including innovation, leadership, and talent. There's been much discussion and many reports on the topic of CEO confidence in recent months, evaluating if leaders are as confident as they let on or if they are wavering in the face of volatility. In our latest report, we found that despite recent market disruptions, an upcoming Presidential election, and global instability, US business leaders continue to be extremely confident in their ability to outperform competitors.

They also hold strong views on what is needed for their businesses to grow and be competitive. However, far too frequently executives are not aligning investments, incentives, and organizational changes with their priorities. Even though today's C-suite and tomorrow's leaders are acting bullish, fine cracks are emerging in their outlook on the year ahead.

Where are organizations missing opportunities to achieve transformational goals? How will the C-suite get the innovation equation right? Everyone wants to win the talent war, but how do companies retain their most valuable people, while also attracting highly skilled workers? And how can organizations cultivate and demonstrate the bold leadership attributes that are so critical in achieving breakthrough performances?

Our 2016 report explores all of these questions and more. The survey results paint a vivid picture of the state of C-suite business confidence and provide insight into what leaders must do to navigate key issues that, if not addressed, could threaten long-term confidence and business performance.

We look forward to learning how our findings resonate with you and your business and to helping you address your most complex challenges.

Janet Foutty

CEO and Chairman of Deloitte Consulting LLP

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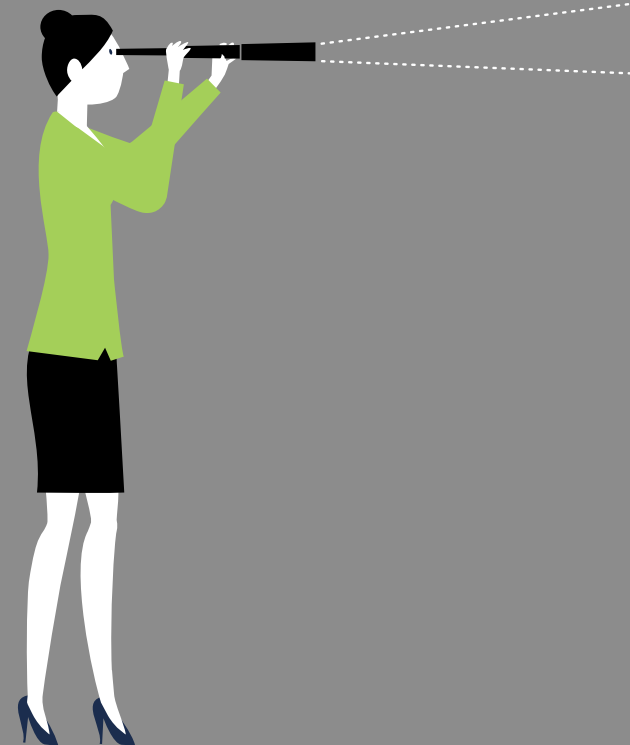
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As rapid technological advancements and an uncertain economy shape the business landscape, America's top executives continue to have a high level of confidence that their organizations can compete. However, America's top executives also report doubts on how to transform their businesses effectively for future success. The *Deloitte Business Confidence Report 2016: The bold organization—innovate, lead, attract* identified three core areas at the crossroads of transformation and confidence:

- Innovation and its relationship with technology
- The need for bold leadership
- The increasing pressure to find, develop, and keep the right talent

### Innovation: The C-suite's narrow approach

Business leaders continue to prioritize innovation. However, it's clear that businesses are not yet investing in solutions to overcome the top issues constraining it. As the findings of the survey indicate, confidence is not the only ingredient needed to drive innovation.

The findings further suggest that America's top leaders<sup>1</sup> (CXOs and CXOs-in-waiting, (CXOWs)) agree on the top three innovation-focused barriers to growth:

- 1) **The rapid pace at which technology changes**—a company's ability to keep up with innovations in the market
- 2) **The need for new and different skills**—the organization's ability to respond to market innovations or to innovate on their own
- 3) **The lack of investments in products or processes**—an unwillingness to commit financially to innovation

Research from the *Deloitte Business Confidence Report 2016: The bold organization—innovate, lead, attract* also found that while executives are able to identify their top business challenges, they are less adept at prioritizing solutions to meet these challenges. Even when investments are made in innovation, they are either misdirected or not distributed across the company and are isolated to specific areas. For example, 42 percent of CXOs and almost half (48 percent) of CXOWs said the rapid pace at which technology changes is a top issue that negatively impacts the pace of growth at their company. Among those respondents, more than half said they are not prioritizing investments in technology or in product research and development.

<sup>1</sup>"America's top business leaders" in the context of this survey refers to the C-suite ("CXOs") and those who are likely to be next in line to the C-suite ("CXOs-in-waiting" or "CXOWs").



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**Talent "brain drain" looming**

New technologies and new ways of working are creating a skills gap. Many companies are unprepared to meet this challenge. Almost half of executives admit that the skills gap is a problem that isn't being addressed at their companies because they are not investing properly due to the speed at which technology and markets change.

There is also a clear shift in emphasis away from "tech 2.0" skills, such as collaboration and the ability to work remotely, toward new capabilities, such as adaptability and technology expertise, created by fast-changing and more demanding technologies. Many companies either are not aware or have not made adjustments to this changing tide, however, and are still focused on "tech 2.0" skills.

There's a reason why 63 percent of CXOs and 80 percent of CXOWs feel that one in three—or more—of their best managers will leave before joining the company's top leadership. Companies must solve the issues driving "superstar" managers away by meeting their needs before they leave, specifically the desire to work for companies with advanced technology and innovation. Investing in cutting-edge, continuous learning and development programs, instead of products and services for innovation, is an efficient and effective strategy companies can use to solve this issue.

**The bold leadership requirement**

Nearly all executives agreed that bold leadership is required to transform challenges into opportunities for growth. However, in today's business environment, bold leadership in the C-suite is erratic. Most executives concede that their leaders do not consistently demonstrate all of the attributes of bold leadership.

Despite the importance of bold leadership, most executives admit their company is not making necessary investments in cultivating and promoting bold leaders who exhibit these traits. Most companies do not emphasize bold leadership as they recruit talent, train personnel, or reward or compensate employees. However, bold leadership can be developed: Companies that regularly innovate and take risks through bold leadership are also working hard to develop tomorrow's bold leaders.

It should come as no surprise that executives are hesitant to say there is an adequate supply of bold leaders at companies today, since fewer than half of executives feel there are definitely enough bold leaders in the C-suite in general. Looking closer to home, 60 percent of CXOWs hesitate to say there are enough bold leaders at their own companies.



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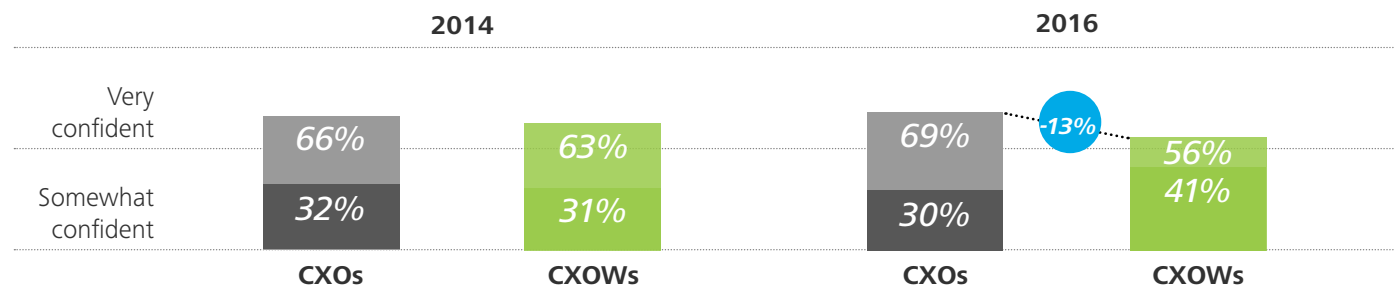
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Top executives have more confidence in their ability to outperform their competition in 2016 than they did in 2014; however, doubts are beginning to rise. Outside the C-suite, CXOWs remain confident, but are nearly 20 percent more likely than CXOs to have doubts about the quality of leadership at their companies compared to the leadership at other organizations. A deeper look shows misalignment of what leaders identify as issues and what they are doing to solve them.

**CXOs and CXOWs disagree if overall business confidence has increased when it comes to a company's ability to outperform their competition in the next 12 months.**



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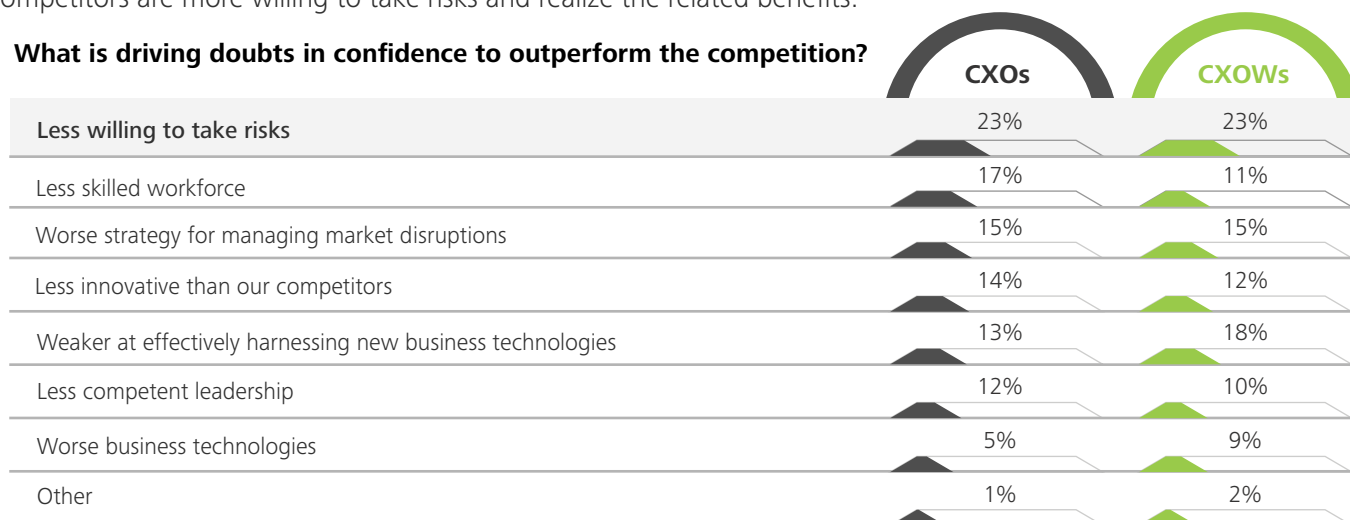
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CXOs and CXOWs agree that one of the top two reasons their companies will be successful is innovation, which is fueling business confidence. They also agree that the top two factors that are driving confidence to outperform the competition are...



Executives with doubts about their ability to outperform their competition believe that their competitors are more willing to take risks and realize the related benefits.

**What is driving doubts in confidence to outperform the competition?**



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CXOs and CXOWs largely agree on the top four issues negatively impacting growth, but CXOs place notably more emphasis than CXOWs on the impact of issues like international political unrest and extreme focus on short-term financial results.

**The top issues negatively impacting the pace of growth (ranking)**

	CXOs		CXOWs
The rapid pace at which technology changes*	1	✓	1-T
The need for new and different skills at your company*	2	✓	1-T
Lack of investments in products or processes*	3	✓	4
Global financial uncertainties*	4	✓	3
<b>International political unrest</b>	<b>5</b>	✗	<b>9-T</b>
The digital economy	6	✗	7
Concerns about cybersecurity	7-T	✗	6
<b>Extreme focus on short-term financial results</b>	<b>7-T</b>	✗	<b>5</b>
Low tolerance for risk	9	✗	8
Geopolitical unrest	10	✗	9-T

\*innovation-focused



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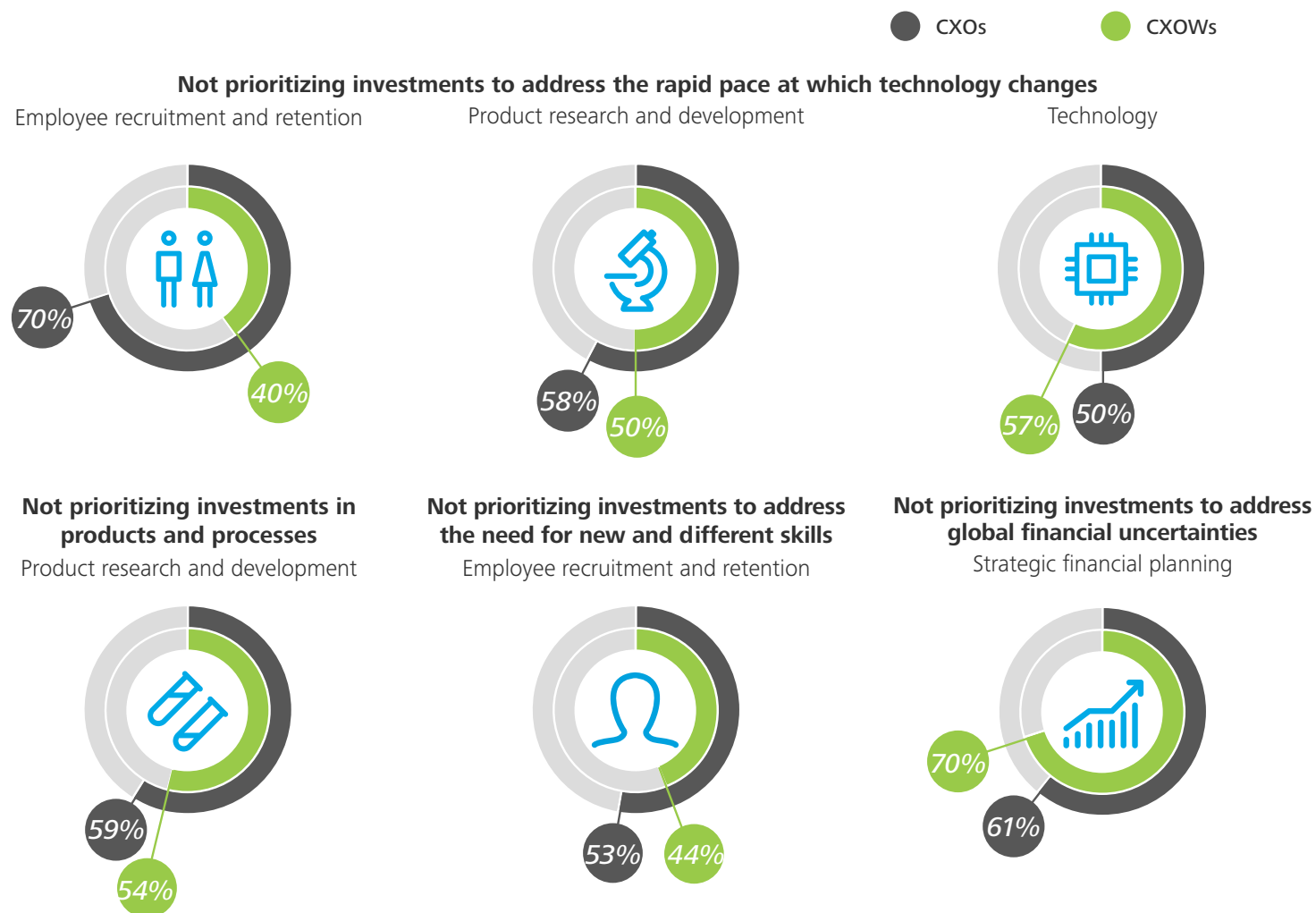
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While CXOs and CXOWs agree that most of the pressing issues for 2016 relate to change and innovation, they are not always on the same page in terms of key investments being prioritized.



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## Bottom line:

Today's business environment is a product of rapid technological advancements in the midst of geo-political, economic, and environmental events. Despite these disruptions, top executives are very confident—even marginally more confident than in 2014—in their company's ability to outperform their competition in the coming year. But if we look more closely, we see a potential indicator of emerging doubts in the C-suite of tomorrow.

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# Innovation: The C-suite's narrow approach

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Among respondents, innovation is a top driver of business confidence. However, despite ambitious goals many business executives are not investing in innovation broadly across the business or prioritizing incentives to encourage innovation.

**Executives are missing opportunities to innovate beyond making changes to product offerings.**

Top priorities for innovation strategy	CXOs	CXOWs
Company's products or services	51%	54%
Customer experience	48%	57%
Company's talent/staff	27%	29%
Organizational and operational models	26%	24%
Business processes	26%	20%
Company price structures	22%	16%
<b>Greater willingness to take risks</b>	<b>7%</b>	<b>9%</b>

Highest  
areas of  
emphasis



This category is the lowest-cited priority for innovation but it was flagged as the top driver of why some executives are concerned about their ability to outperform the competition.

**Executives are not consistently incentivizing staff or prioritizing investments in innovation development.**

How companies promote innovation	CXOs	CXOWs
Prioritize investments in employee recruitment and retention (related to the need for new/different skills)	47%	56%
Award innovation	50%	50%
<b>Offer compensation and promotions to those who take risks</b>	<b>41%</b>	<b>40%</b>



Far fewer are  
rewarding  
risk taking.



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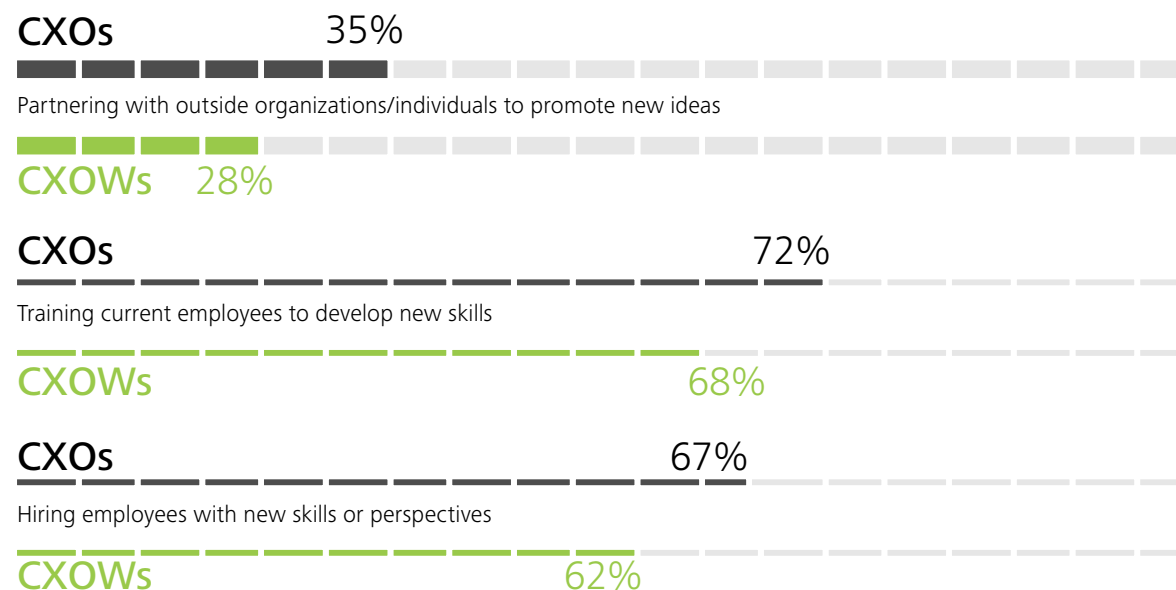
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Executives are taking a more conventional approach to innovation by focusing on bringing new skills and new personnel into their companies. They are not yet turning to outside organizations to spark innovation through different thinking and to leverage different capabilities.

How execs promote innovation



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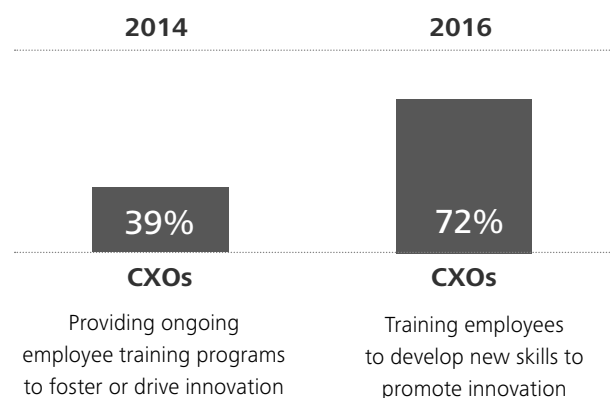
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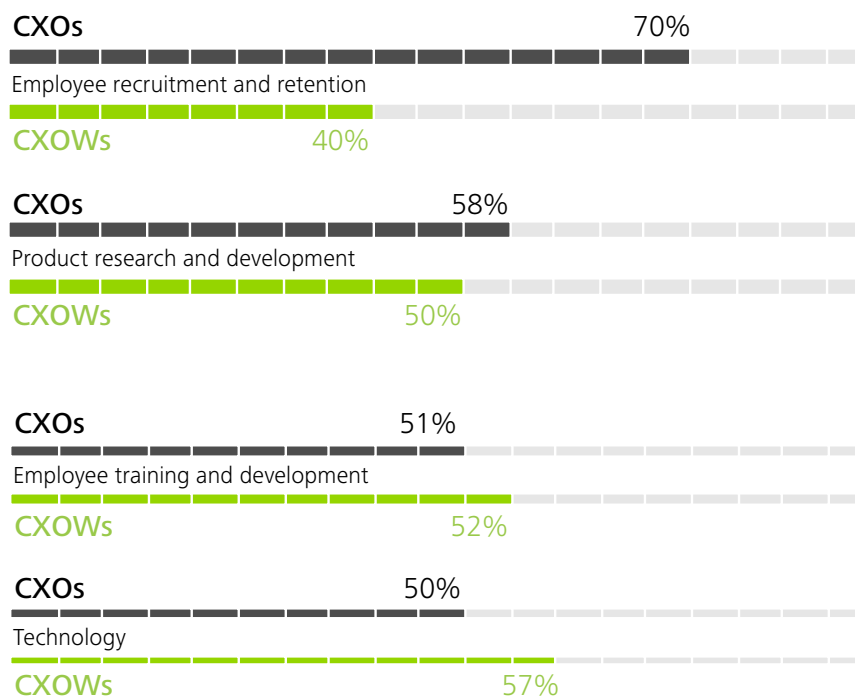
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While executives were quick to point to rapid technology changes as negatively impacting growth, they are still behind the curve in investing to adjust to the speed of change.

**As demand for innovation has increased, CXOs have responded by amplifying efforts over the past year to train talent to meet those demands.**



**But related to rapid technology changes, execs do NOT prioritize investments in:**



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## Bottom line:

CXOs and CXOWs agree on the top issues constraining company growth, but many businesses are not yet investing in solutions to overcome these issues. A more comprehensive approach to innovation paired with an increased commitment to investing in training, hiring, and retaining top talent can be an effective way to solve for today's business challenges.

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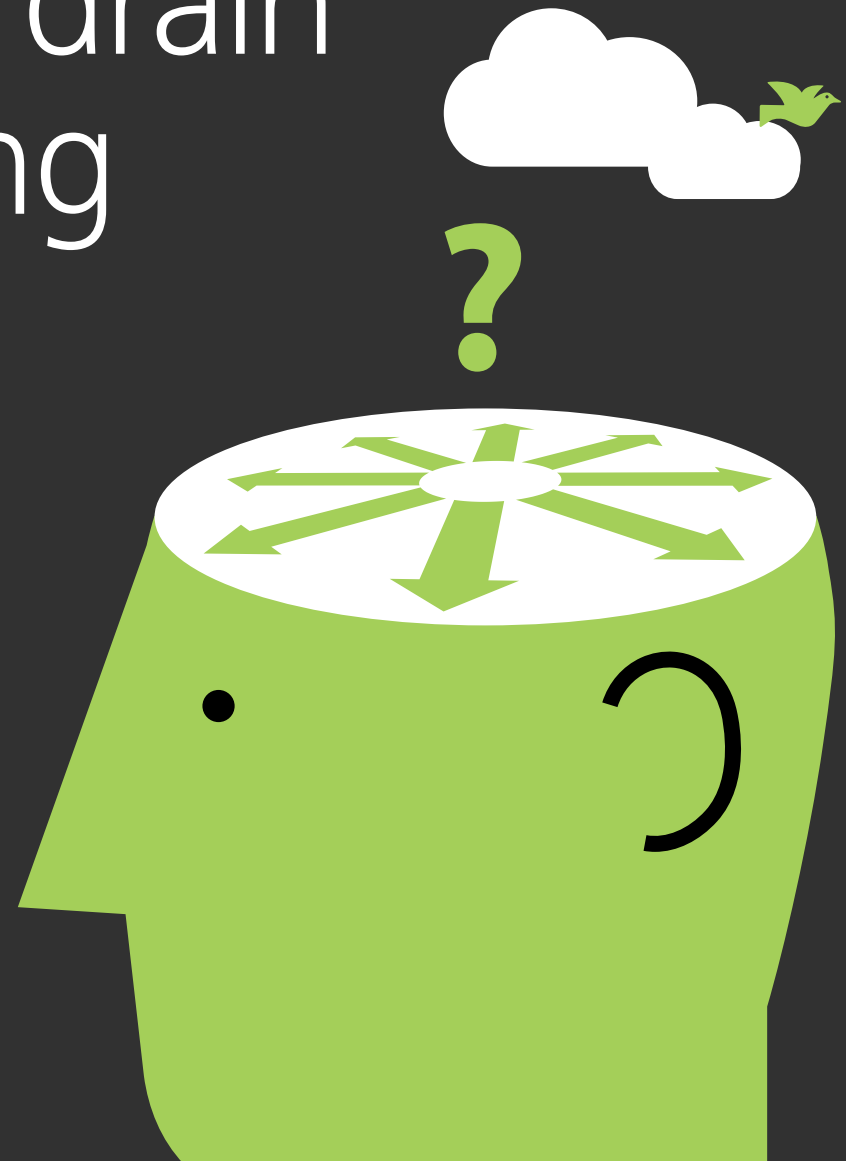
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As the war for talent continues and the C-suite looks for new ways to come out on top, business leaders are now faced with another major problem: a "brain drain" of superstars and increased demand for "soft skills."

**Executives agree that the rapid pace at which technology and markets are changing is creating a skills gap at their companies.**

**88% CXOs**

Believe the increasing rate at which tech & markets are changing is creating a skills gap

**93% CXOWs**



**63% CXOs**

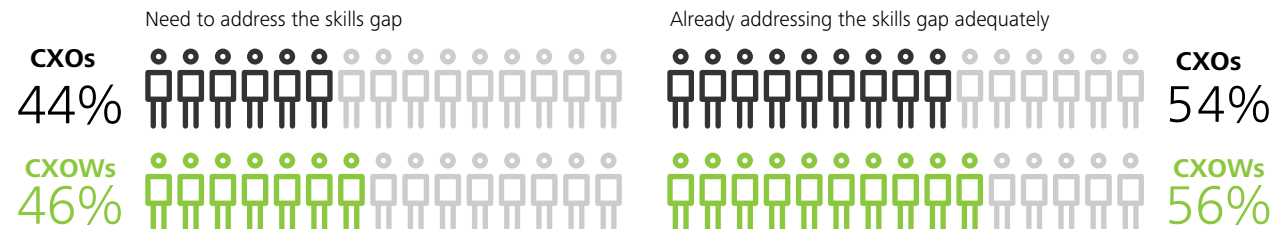


A large majority of CXOs and CXOWs feel that one in three—or more—of their best managers will leave before joining the company's top leadership.

**80% CXOWs**



**Among executives who feel there is a skills gap, nearly half do not feel the gap is being adequately addressed.**



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Among executives' most pressing concerns is the inability to strengthen their companies' leadership pipelines. Companies must solve the issues driving "superstar" managers away by meeting their needs before they leave. One business's superstar could be another company's future CEO.

Factors that drive away the best managers



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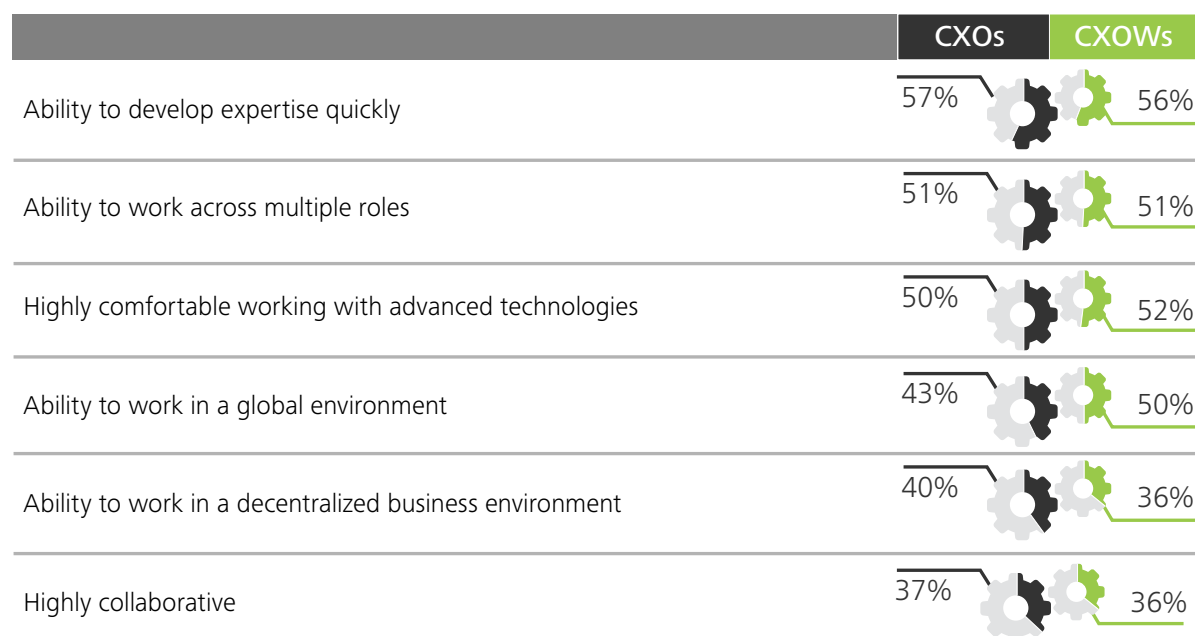
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Executives also say there is a significant variation of in demand skills needed at their companies. It's clear that the "soft skills" are hard to find and even harder to cultivate.

**Skill sets are now more in demand**



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## Bottom line:

Leaders are grappling with solving issues driving their top managers away from their organization. It's clear that innovation is a priority for retaining employees and increasing business growth. Since CXOWs want to work with cutting-edge, innovative companies, embracing a holistic approach to innovation can help CXOs and other business leaders with their growth agenda while also stemming the flow of top talent leaving for companies they feel are more innovative and tech friendly.

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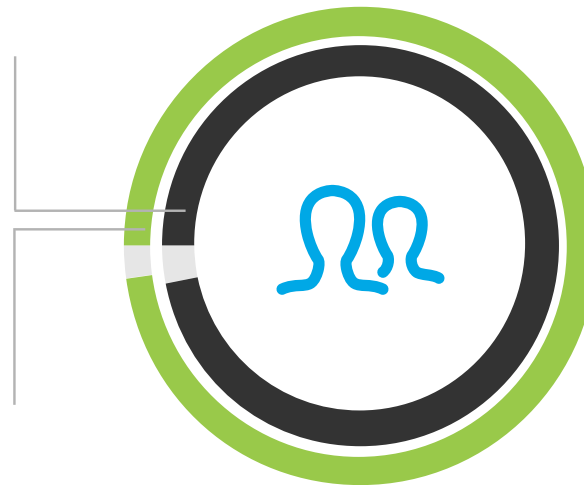
The pace of change in business requires bold leadership, a skill that is lacking and not being actively cultivated. With bold leadership, organizations can transform the most pressing business challenges into opportunities for growth.

**It's no surprise that both CXOs and CXOWs feel breakthrough performances require bold leadership. How else can companies stand out and disrupt the status quo?**

**97% CXOs**

Agree that it's essential  
for companies to have bold  
leaders in order to have  
breakthrough performances

**98% CXOWs**



For the *Deloitte Business Confidence Report 2016*, Deloitte used the following to define "bold leadership":

- Sets ambitious goals
- Invites feedback from colleagues at all levels of seniority
- Innovates and looks for new ways of doing things
- Proposes ideas their company might consider controversial
- Takes risks
- Builds strong teams and empowers them to succeed



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While nearly all leaders say bold leadership is a must have, when ranking their own performance as a bold leader more than half are not confident they're successfully demonstrating these qualities.


**9** out of **10**   
do not regularly demonstrate all the aspects of bold leadership (91% of CXOs and 92% of CXOWs)

C-suite successfully demonstrates bold leadership	CXOs	CXOWs
All/most of the time	48%	47%
Sometimes	47%	49%
Rarely	5%	4%

More than 50%  
of both CXOs and  
CXOWs feel the C-suite  
demonstrates these  
qualities sometimes or  
rarely

According to the survey, executives are not practicing the key traits of bold leadership.

% of top leadership who regularly demonstrate bold leadership traits	CXOs	CXOWs
Set ambitious goals	64%	63%
Build strong teams and empower them to succeed	60%	59%
Innovate and look for new ways of doing things	57%	58%
Invite feedback from colleagues at all levels of seniority	46%	37%
Propose ideas the company might consider controversial	45%	41%
Take risks	34%	34%

  
A high number of  
leaders indicated that  
they innovate and look for  
new ways of doing things, in  
contrast to the lower number  
who indicated that they  
propose controversial  
ideas and take  
risks.



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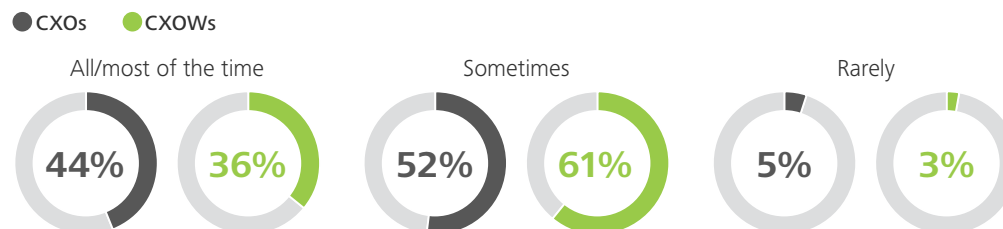
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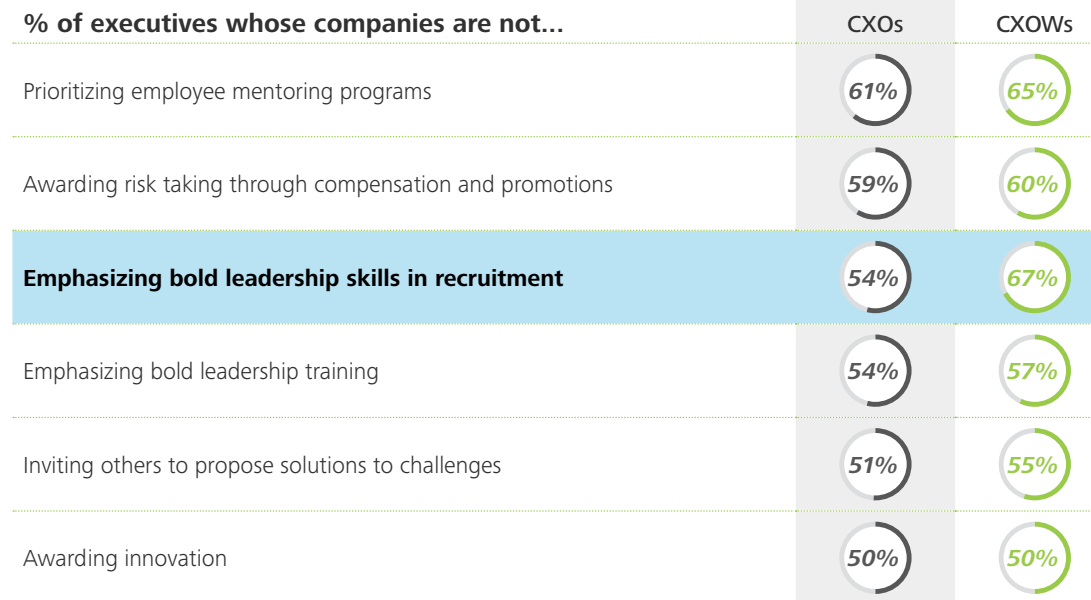
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Companies do not have an adequate pool of future bold leaders. CXOWs have strong doubts about whether rising leaders are regularly demonstrating bold leadership.



The leadership deficit is likely to worsen as most companies are not cultivating bold leadership traits among future leaders.



Notably more CXOWs than CXOs believe that their organizations are not recruiting enough for bold leadership skills.



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## Bottom line:

Despite the importance of bold leadership, most executives admit their companies are not making the necessary investments in cultivating and promoting leaders who exhibit these traits. Companies failing to make investments in bold leadership are likely to face future challenges with skill gaps and, inevitably, leadership gaps. Companies that regularly innovate and take risks through bold leadership are also working hard to develop tomorrow's bold leaders.

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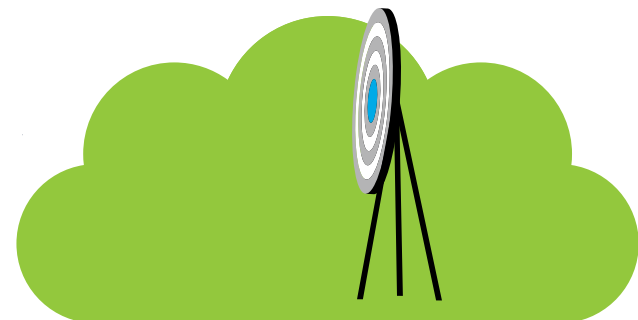
# Report conclusion

After surveying 600 of America's top leaders, the findings of the *Deloitte Business Confidence Report 2016: The bold organization—innovate, lead, attract*, portray a clear picture of the importance of aligning investments, incentives, and priorities with the focus areas of bold leadership, talent, and innovation. The results also depict improved confidence and expectations when companies follow this principle, as well as the potential challenges when they don't.

It's encouraging that business confidence remains high, despite global volatility and a pending US presidential election. However, it's equally disappointing that today's business leaders are not aligning investments and priorities to advance their goals. When business leaders show inconsistencies in confidence and action, it can indicate a larger cause for concern.

Even though leaders remain confident in their ability to beat the competition, the survey reveals that there is, as always, more work to be done. Organizations should take a more holistic approach to their innovation efforts, eliminate the "brain drain" among their rising leaders, and address the highly valued and greatly needed traits of bold leadership.

When Deloitte completed its first *Business Confidence Report*, we predicted that "the actions taken now will determine which businesses will thrive in a rapidly evolving marketplace." This still holds true today. This year's survey stresses that risk taking and bold leadership, along with a more robust and comprehensive approach to innovation, can go a long way toward addressing talent gaps and achieving business priorities. Business confidence and bold action is a requirement in today's environment, not a nice-to-have trait. "Adapt or die" has been a credo for business leaders for a long time. Now more than ever, they have the necessary tools to achieve successful business transformation through innovation, leadership, and talent.



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## About the Survey

The *Deloitte Business Confidence Report 2016: The bold organization—innovate, lead, attract* 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.

2) 300 US “CXOs-in-waiting” defined as US adults 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 November 18 and December 16, 2015, using an email invitation and an online survey.

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