

EXECUTIVE TALENT 2025

What's now, new
and next in global
C-Suite talent

By the
Association of Executive Search
and Leadership Consultants (AESC)

aesc.org

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INTRODUCTION

DIGITAL DRIVES NEW DEMAND FOR TOP TALENT

Digital is driving critical demand for new talent. With all the focus on the disruptive technologies of Industry 4.0 in recent years, we find that there is an even more voracious need for talent in a "Business 4.0" environment.

Business leaders understand that their organizations must be increasingly agile in order to seize the opportunities of digital and thrive in a rapid and often uncertain global business climate. They seek innovation and know that diverse talent is critical to bringing new perspectives and fresh thinking to their organizations, and they are increasingly looking to executive search firms to deliver it.

They are also looking to the next generation of leaders for the talent they need. Organizations risk losing institutional knowledge and years of management experience as the Baby Boom generation exits the workforce in many markets around the world. Developing next gen leaders has come much more in focus

as today's C-Suite realizes they will need to expedite the growth of their successors.

All of these key business issues are talent issues. As a result, there are win-win opportunities for increased partnership between business leaders and executive talent advisors.

In this report, we share with you what we heard from business leaders about their needs today and by 2025. We offer insights that can help you strengthen your talent strategy and gain competitive advantage in the marketplace.



Karen Greenbaum
AESC President and CEO



KEY INSIGHTS AT A GLANCE

In AESC's 60th anniversary year, we revisit the framework of AESC's *Executive Talent 2020* report from 2016. We have surveyed business leaders worldwide three years later to better understand their top business challenges today and by 2025, how they currently use external advisors and how they plan to use them in the future, as well as how executive search and leadership consultants can better serve them.

Our findings this year show that digital transformation tops the agenda of organizations worldwide. Digital is driving demand for both agile leaders and agile organizations, increasing focus on developing next generation leaders, and fueling a critical need for diversity in the C-Suite and at Board level.

Organizations are also revisiting their business models and racing to tap into disruptive technologies to better serve their customers, and in the process, expand their portfolios of products and services. These forces combined place a tremendous new demand on talent. In *The Conference Board's C-Suite Challenge 2019: The Future-Ready Organization*, on which AESC partnered, CEOs around the world revealed 'attraction and retention of top talent' as their number one business issue.

Our study echoes The Conference Board's findings. The most critical issues revealed by business leaders in our report all stem back to the right leaders leading in the right way.

HERE'S WHAT WE FOUND:



Digital transformation continues to be a top business issue for organizations today and they increasingly turn to trusted advisors for guidance on their transformations.



Developing next generation leaders and creating and maintaining cultures of innovation top the list of priorities for organizations by 2025.



Organizations view their employer value proposition as the greatest challenge to attracting the right talent.



Organizations view being able to provide enough growth or development as the greatest challenge to retaining the right talent.



M&A, long-term value creation, and board recruitment top the list of priorities for boards of directors by 2025.



Nearly a third of business leaders expect their work with executive search firms to grow by 2025.



Business leaders worldwide rate the diversity within their organization's executive ranks fair at best, but better by those in organizations that publicly report their diversity data.



Business leaders cite delivering diverse candidates as the number one way that executive search firms can better serve them.

THE STATE OF EXECUTIVE TALENT IN 2025?

Digital drives agility, innovation and diversity

KEY ISSUE FOR ORGANIZATIONS TODAY

DIGITAL TRANSFORMATION

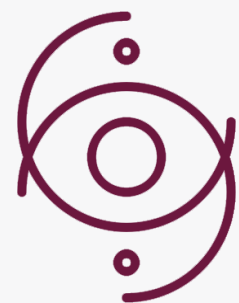


KEY ISSUE FOR ORGANIZATIONS BY 2025

DEVELOPING NEXT GEN LEADERS



CREATING/MAINTAINING CULTURES OF INNOVATION



73%

of business leaders plan to provide focused development to next gen leaders in the next five years

74%

of business leaders by 2025 expect to seek the expertise of external advisors to plan for leadership succession

71%

of business leaders are open to working with an executive search firm in the next five years for guidance on digital leadership

KEY ISSUES FOR BUSINESS LEADERS ARE TALENT ISSUES

Attraction and retention of top talent ranked #1 business issue by CEOs worldwide.

43% of CEOs cite lack of talent and skills as a barrier to future innovation, making it the biggest obstacle to overcome by 2020.

C-Suite Challenge™ 2019: The Future-Ready Organization, The Conference Board



FUTURE CHALLENGES - 2025

- Developing next gen leaders
- Creating/maintaining a culture of innovation
- Actualizing digital transformation



WHERE ORGANIZATIONS EXPECT TO WORK WITH EXTERNAL ADVISORS

- Succession planning
- Leadership effectiveness
- Organizational effectiveness



WHERE AESC MEMBERS EXPECT GROWTH IN LEADERSHIP ADVISORY SERVICES

- Digital leadership
- Board assessment & advisory
- Leadership development

WHAT ORGANIZATIONS NEED TODAY AND IN 2025

For our study, we sought to develop a deeper understanding of the top business issues that organizations are grappling with today and what they expect to be challenged by in five years. We surveyed more than 300 business leaders around the world to gain insight on their top challenges, where they see opportunities and their expectations in developing relationships with executive search and leadership consulting firms.

We started by asking about key business issues and how those issues inform their use of external advisors. Business leaders identified ‘actualizing digital transformation’ at the top of the list of today’s issues. Industry 4.0 technologies have created a ‘Business 4.0 environment’ which is fundamentally different than that of the past. The new world of global business requires much more agility, requires new traits and competencies of leaders and demands a different type of culture where innovation can flourish.

C-Suite leaders strive to actualize digital transformation across their enterprises, but it does not come easy. In another AESC study, *Leading Transformation: Shaping the C-Suite for Business 4.0 Innovation*, we identified the top five key challenges to digital transformation:

1. Legacy approaches
2. Lack of the right talent
3. Lack of investment in digital

4. Resistance to change
5. Lack of definition for what a transformation means

Businesses often struggle with the organizational agility (#2 issue for business leaders today) required to launch new and innovative products and services (#3 issue) successfully in today’s competitive, rapidly changing marketplace. They are locked into outdated processes that no longer work but which can be difficult to break without a major change in culture. Change management must be driven by the right leaders and embraced across the enterprise, which is no easy feat. Leaders who can inspire change and create and maintain a culture of innovation (#4 issue for business leaders today and a top issue for business leaders in five years) are rare and there is fierce competition to find them.

Organizations have realized the business imperative for diversity and business leaders chose attracting diverse talent as their #5 issue today. They are seeking talent beyond the usual suspects who can bring new perspectives and fresh thinking to their businesses and better connect with diverse customers and shareholders. Organizations are looking to the next generation of leaders to find the talent they need. ‘Developing next gen leaders’ was chosen by business leaders as the #1 business issue in the next five years, along with creating/maintaining a culture of innovation.

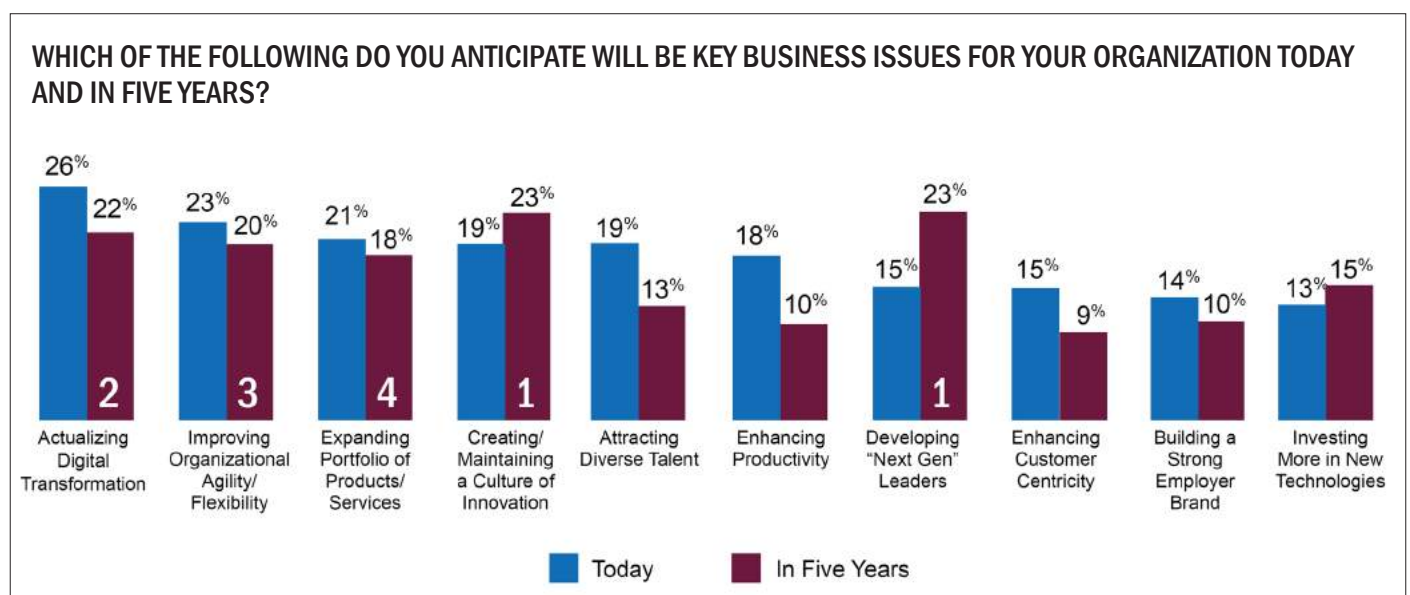


Chart 1-A: Business leaders on their top three business issues today and in the next five years

We also wanted to better understand what business leaders are thinking about in the boardroom. We asked them what they anticipated were the top issues for their organizations' boards of directors both today and in five years. The top five issues for boards today are all focused on core governance:

1. Ethics
2. Governance standards
3. Strategy oversight
4. Compliance
5. Risk oversight

This is not surprising as these are all core responsibilities of boards of directors.

However, if we look to the next five years, the issues become much more strategic in nature, and include creating a more diverse board:

1. Mergers & acquisitions
2. Long-term value creation
2. Board recruitment
3. Board diversity
4. CEO succession planning
5. Shareholder engagement

C-Suite leaders understand that their boards must have a robust board recruitment strategy to attract the diverse board talent they need and with the right skillset, which increasingly includes marketing, technology and even cybersecurity, in addition to the more traditional management and finance skillsets of directors.

WHAT DO YOU ANTICIPATE WILL BE TOP CONCERNS FOR YOUR ORGANIZATION'S BOARD IN 2019 AND IN 5 YEARS?

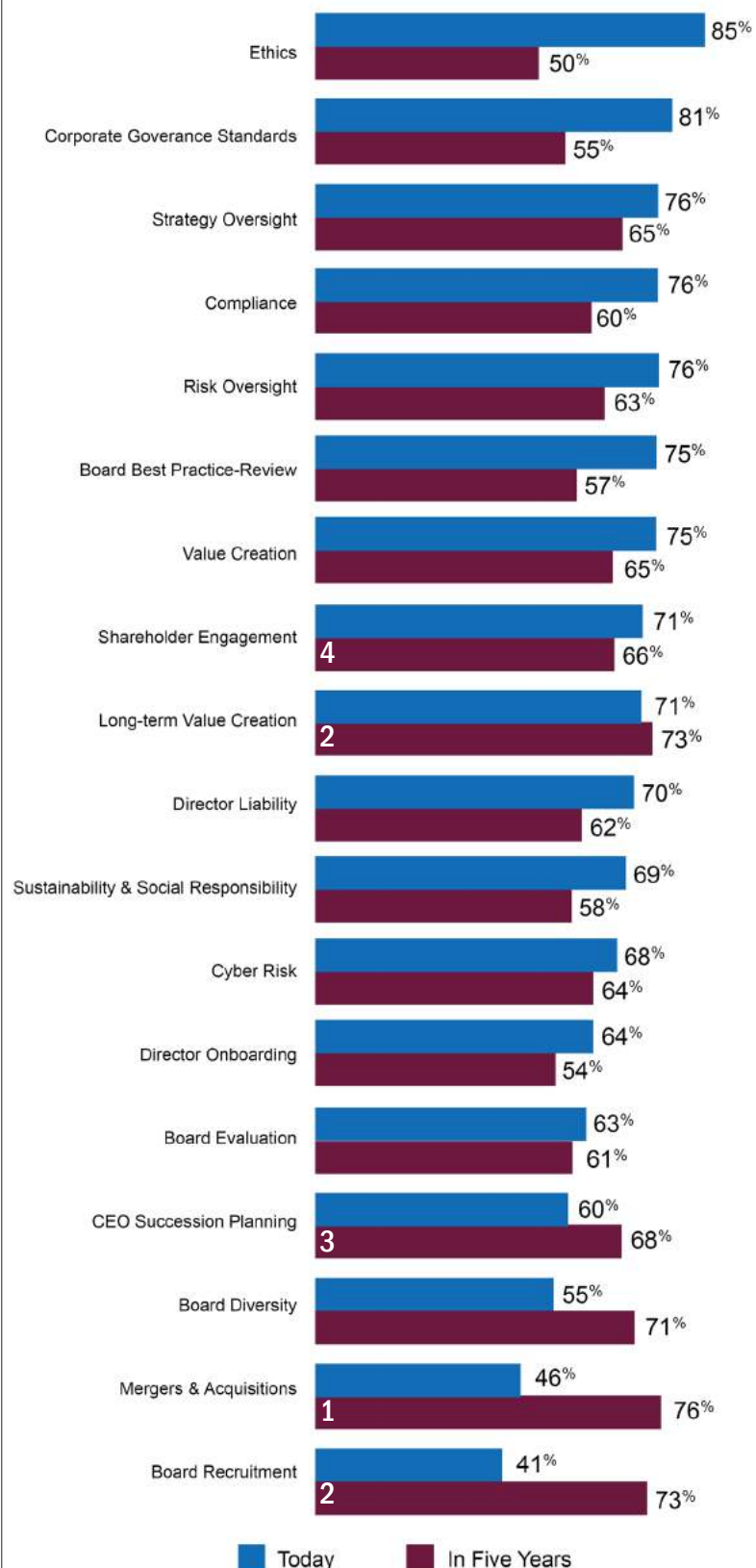


Chart 1-B: Business leaders on the top issues for their organizations' boards of directors today and in five years

In The Conference Board's *C-Suite Challenge 2019: The Future-Ready Organization*, on which AESC partnered, CEOs ranked 'attraction and retention of top talent' as their number one business issue.

We wanted to hear from business leaders in their own words on what they deem as the key challenges to attracting top executive talent to their organizations. In response after response, 'employer value proposition/brand' surfaced as key challenges. In a candidate market like today's where the competition for top talent is fierce and where candidates often have many options, it is critical for organizations to have strong employer brands to attract the talent they need. But creating a strong employer value proposition takes time. It can be difficult for mid-size and smaller organizations to compete with multinationals that have vast resources to tap into the latest technologies, as well as compensation, which business leaders chose as the #2 challenge in attracting top talent. However, smaller organizations can often be more nimble and may be quicker to implement a flexible work environment that sparks innovation and is viewed as authentic which can be more challenging for multinationals.

Retaining talent is also a top concern of today's organizations. Business leaders chose being able to offer enough 'growth/development' to their employees as the main challenge in keeping talent, above compensation, the #2 retention challenge. It is interesting to note that 'employer value proposition' appears much lower on the list for retention. Organizations may miss what it really means to have an authentic employment brand – not just in words and images but in overall work environment and culture. This should be key in both attraction and retention. Understanding culture and how it can drive attraction, retention and innovation is a critical opportunity for leadership advisors.

WHAT IS THE GREATEST CHALLENGE TO ATTRACTING TOP EXECUTIVE TALENT? (OPEN-ENDED QUESTION)

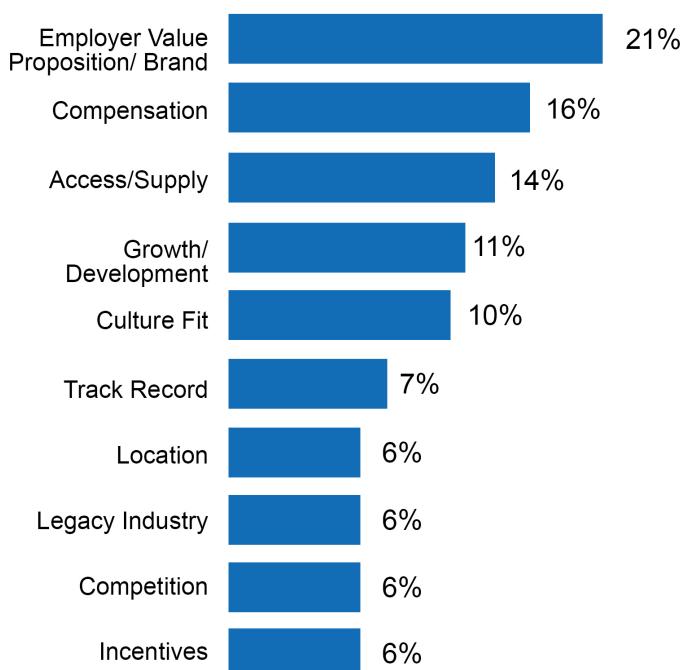


Chart 1-C: Business leaders on their greatest challenges to attracting top executive talent

WHAT IS THE GREATEST CHALLENGE TO RETAINING TOP EXECUTIVE TALENT? (OPEN-ENDED QUESTION)



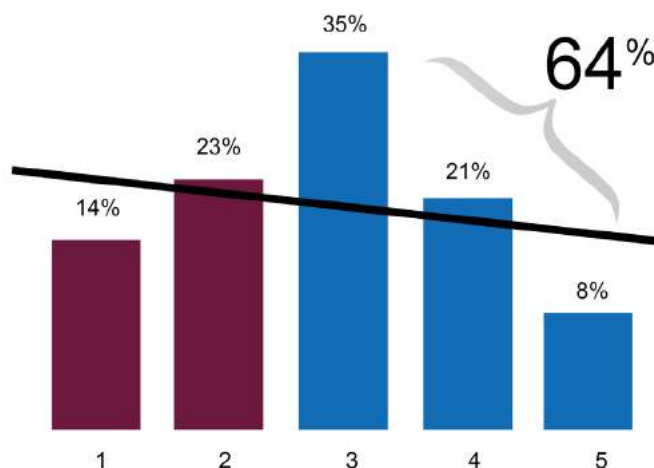
Chart 1-D: Business leaders on their greatest challenges to retaining top executive talent

With such a focus on attracting diverse talent, we wanted to understand how business leaders feel about the diversity of the executive ranks within their organizations today. We asked them to rate on a scale of one to five, with 1 being the least diverse and 5 being the most diverse, the diversity within the executive ranks at their current organizations. Business leaders globally rated their organizations an average score of 2.8. Sixty-four percent of business leaders rated the diversity of their executive teams a score of 3 or above.

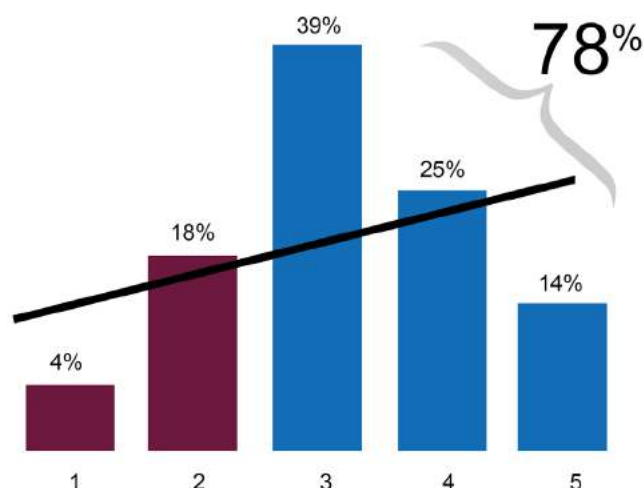
We also asked business leaders if their organizations publicly report their diversity data. What we found is that only a quarter of business leaders cited working for an organization that publishes their diversity data. Of those firms that report diversity data, however, business leaders in those organizations gave an average score of 3.3. Seventy eight percent of those business leaders also rated the diversity within their organization's executive ranks a score of 3 or more, a 14 percent point difference versus those who do not.

This suggests the adage that 'what gets measured gets managed.' Of organizations that publicly report their diversity data, their employees cite better diversity within the executive ranks.

HOW WOULD YOU RATE YOUR ORGANIZATION'S DIVERSITY WITHIN THE EXECUTIVE RANKS?



Score on a scale of 1-5 given by business leaders rating the diversity within their organization's executive ranks (1=least diverse; 5=most diverse)



Score on a scale of 1-5 rating the diversity within their organization's executive ranks (1=least diverse; 5=most diverse), by business leaders at organizations that report diversity data

Charts 1-E and 1-F

DOES YOUR ORGANIZATION PUBLICLY REPORT DIVERSITY DATA?

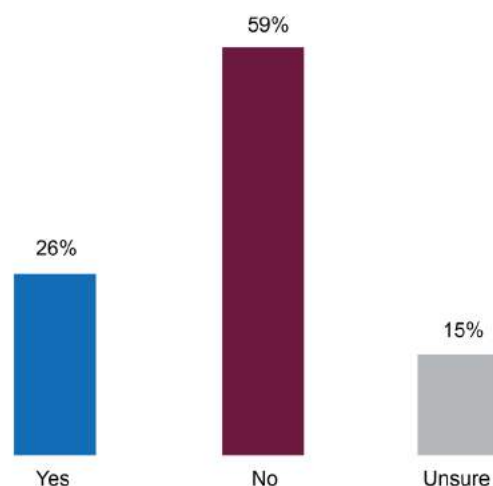


Chart 1-G: Percentage of business leaders at organizations that report diversity data

C-Suite leaders are increasingly looking to the next generation for the talent they need to drive their businesses forward. While developing the next generation of leaders is lower on the list of business issues today, it is seen as one of the top business issues in 2025. We wanted to better understand how business leaders are approaching the development of next gen leaders in their organizations over the next five years.

When it comes to developing the next generation of leaders, 80% of business leaders selected ‘assess internal talent and provide meaningful coaching’ as the top priority today, followed by ‘provide mentoring’ (77%) and ‘empowering top talent’ (69%). This grouping suggests that today it’s more about identification and beginning the process of development.

When asked about their priorities in developing next gen leaders in five years, business leaders’ perspectives shift to accelerating succession, with 73% choosing ‘focused development of next gen leaders’ as their number one priority in five years, followed by ‘succession planning’ to accelerate them (70%). ‘Include next generation talent in decision making’ and ‘offer reverse mentoring’ tied for the third most important priority.

WHAT DO YOU ANTICIPATE WILL BE YOUR ORGANIZATION'S TOP PRIORITIES IN DEVELOPING NEXT GENERATION LEADERS DURING 2019 AND IN THE NEXT 5 YEARS?

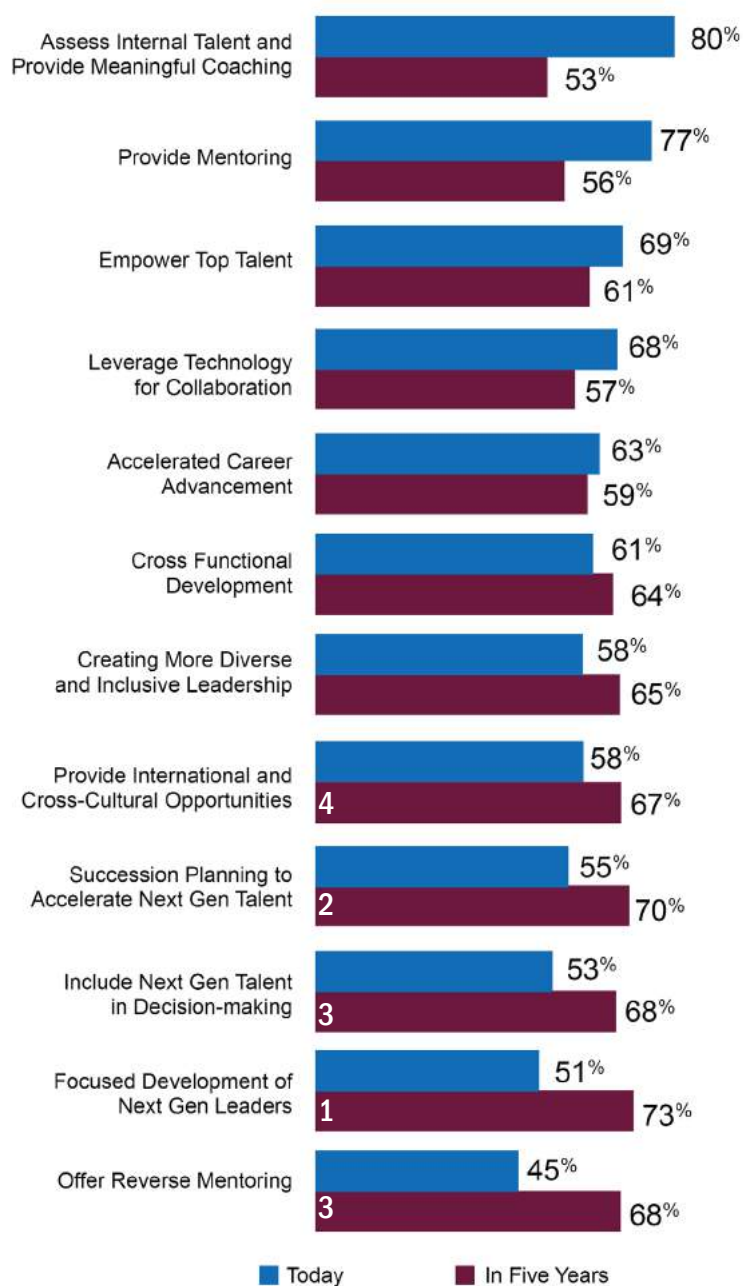


Chart 1-H: Business leaders on their organizations top priorities in developing next generation leaders today and in five years

From our study, we wanted to better grasp what talent and leadership-related services, other than talent acquisition, organizations will need guidance from external providers. Eighty three percent of business leaders chose ‘executive pay,’ making it the #1 service sought by business leaders today. Both ‘leadership development’ (#2) and ‘leadership assessment’ (#3) were also chosen by business leaders as top in demand advisory services today.

When thinking about the future, business leaders chose ‘succession planning’ (74%), followed by ‘leadership effectiveness’ (73%) and ‘organizational effectiveness’ (73%) as where they would most be seeking the expertise of external advisors by 2025.

It’s worth noting that executive pay advice drops from the #1 service today to one of the lowest priorities in 5 years.

For executive search and leadership advisory firms, as they expand their portfolios and broaden their service offering, these insights highlight where business leaders are looking for expert advice today and in the future.

DO YOU WORK WITH ANY EXTERNAL ADVISORY FIRMS FOR ANY OF THE FOLLOWING SERVICES TODAY AND DO YOU EXPECT THIS TO CHANGE IN THE FUTURE?

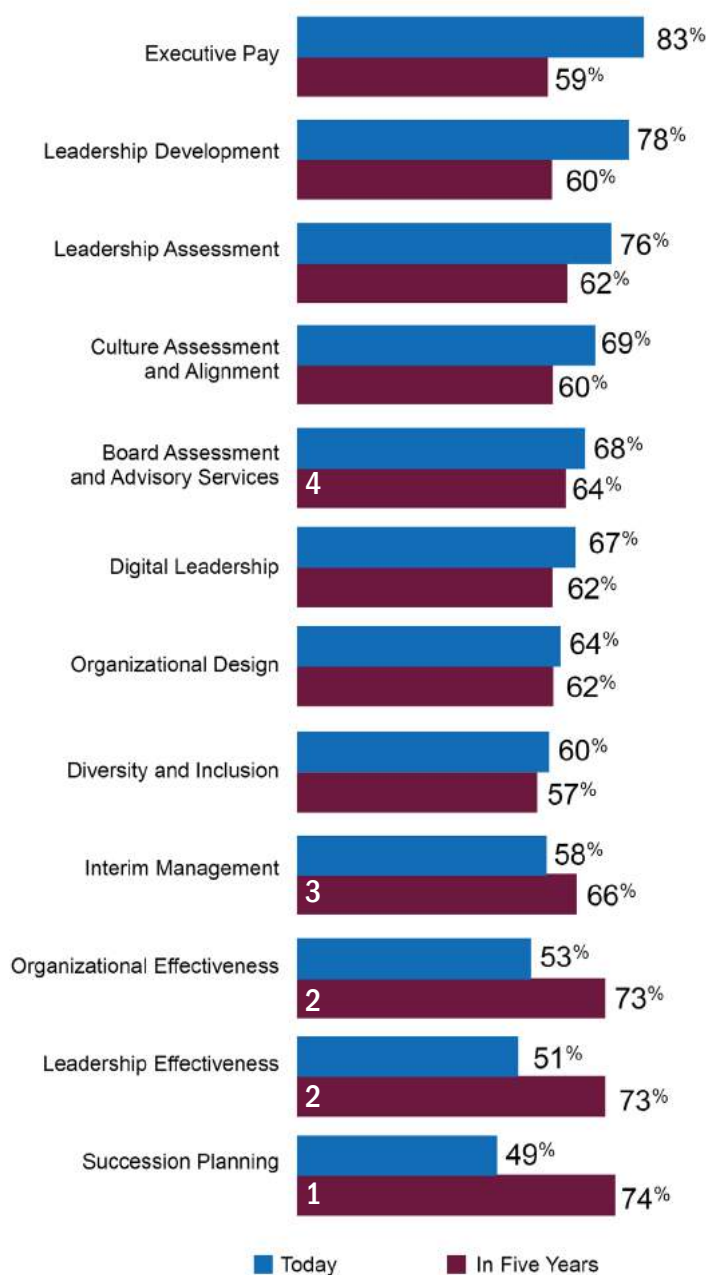


Chart 1-I: Business leaders on which services they use external advisory firms for today and how they expect this to change in the future

We examined where organizations are looking for outside advice. We then took a closer look at the same services and asked “would you buy this from your executive search consultant?” In all categories except one, at least half of business leaders were open to considering an executive search and leadership consulting firm today to deliver those advisory services.

Over the next five years, there is a clear trend – business leaders have identified an increased openness to working with their executive search consulting firm on a broad range of leadership advisory services. In five years, business leaders identified succession planning, leadership effectiveness and organizational effectiveness as their top three areas for using an outside advisor. Business leaders are showing an increased openness to using an executive search and leadership firm for these important services.

On the other hand, 60% of business leaders see a need for a diversity and inclusion advisor today with nearly the same level of need in 5 years. And yet, this is the lowest scoring service offering in terms of using an executive search and leadership consulting firm.

However, more than half of business leaders were open to using executive search and leadership consulting firms for all categories by 2025 including for diversity and inclusion. The greatest growth opportunity from today to 2025 indicated by business leaders is with ‘digital leadership’ as an advisory service.

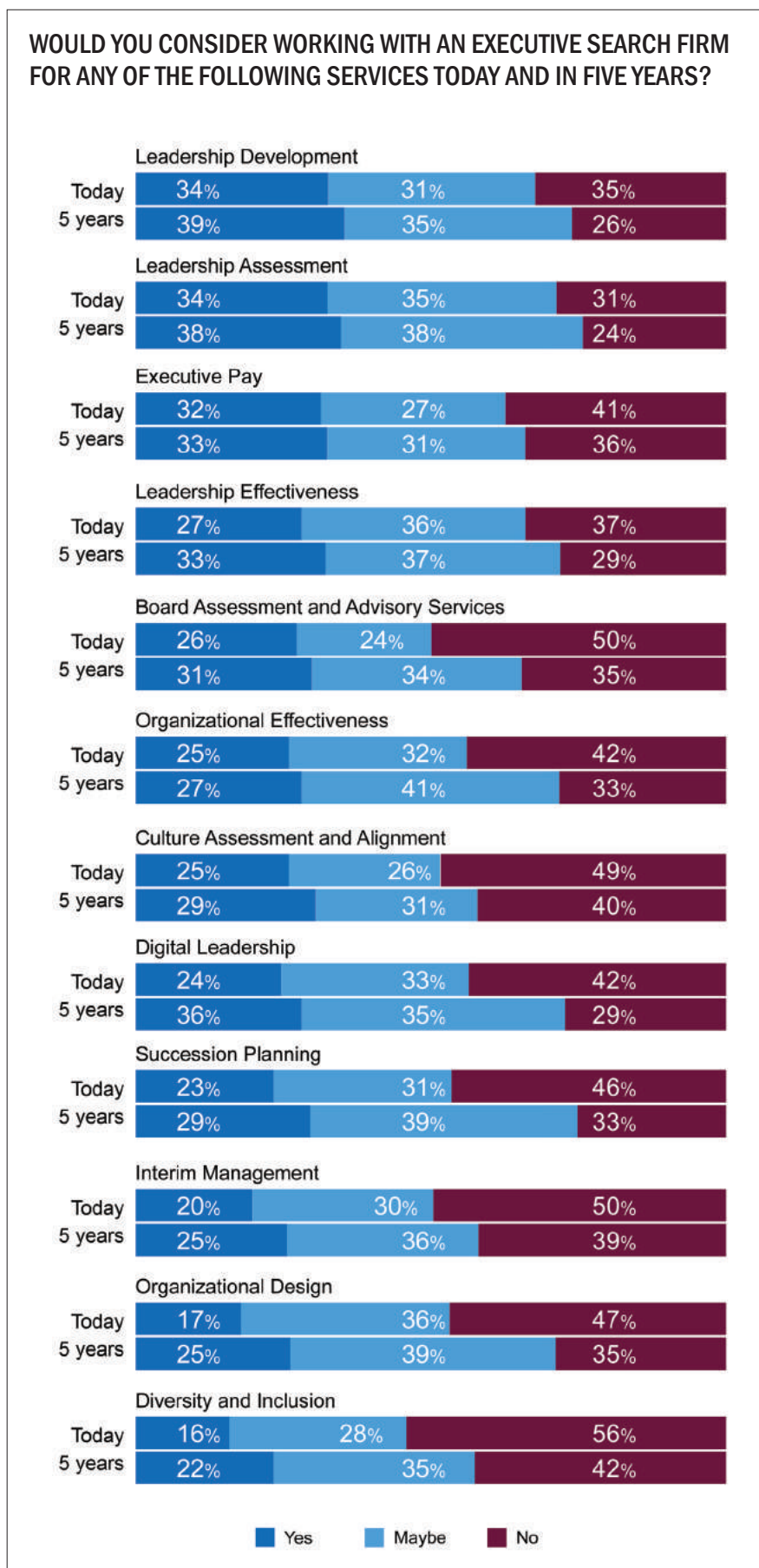


Chart 1-JK: Of business leaders who currently work with executive search firms, for what additional services would they consider using them for today and in five years

A large majority (82%) of business leaders expect their use of executive search to either increase (30%) or stay the same (52%). Less than 20% were either unsure or forecast a decrease in their use of executive search firms in five years. This indicates that business leaders value their partnerships with executive search firms and foresee extending those relationships by 2025.

Organizations on the other hand also value their own in-house recruitment teams, with the same amount (82%) predicting growth (30%) or at least current levels of usage (52%) in the next five years — a decrease from 2016 where executive search was 70% and in-house recruiting was 89%. This likely means that executive search firms and in-house recruitment teams will need to work together even more strategically in years to come, with both understanding their strengths and where they can deliver optimal value to an organization.

Business leaders were slightly less certain of their use of recruitment process outsourcing or contingent recruitment firms by 2025, even though roughly half in each case expected no significant change in their use of those service providers.

HOW DO YOU EXPECT YOUR USE OF THE BELOW SERVICES TO CHANGE IN 5 YEARS COMPARED TO LAST YEAR?

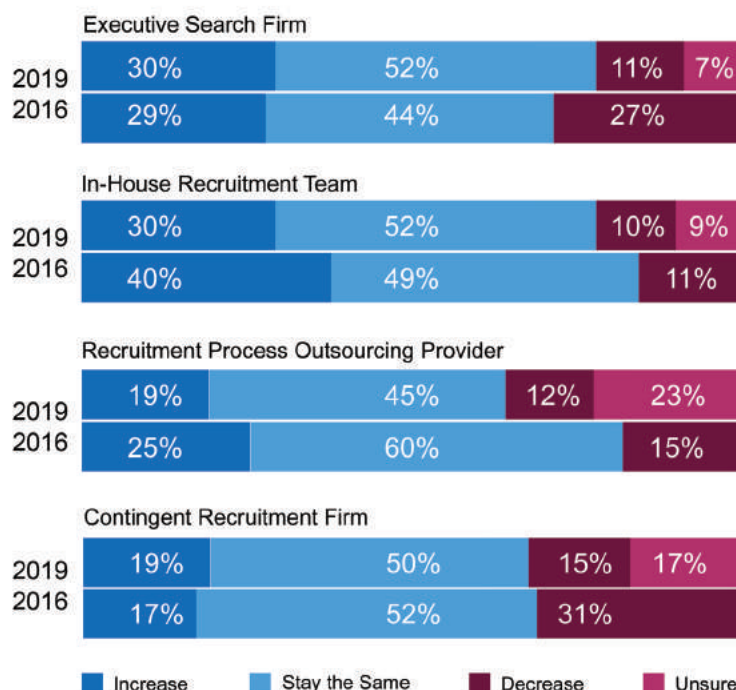


Chart 1-L: Business leaders on how they expect use of services for executive search to change in five years

The majority of business leaders indicated they would be increasing or at least maintaining their levels of use of both executive search firms and in-house recruitment. We wanted to better understand the key reasons why business leaders chose to use which service providers for their executive searches.

Business leaders chose executive search firms over other service providers in most categories with 50% or more business leaders choosing executive search firms over other service providers for:

1. Professionalism (64%)
2. Access to difficult to reach candidates (62%)
3. Confidentiality (52%)
4. Diverse candidates (50%)

Fifty percent or more business leaders chose in-house recruitment above other providers for only two categories:

1. Cost (74%)
2. Ease of use (50%)

WHAT IS THE PRIMARY REASON FOR YOUR USE OF THE FOLLOWING SERVICES FOR EXECUTIVE SEARCHES?

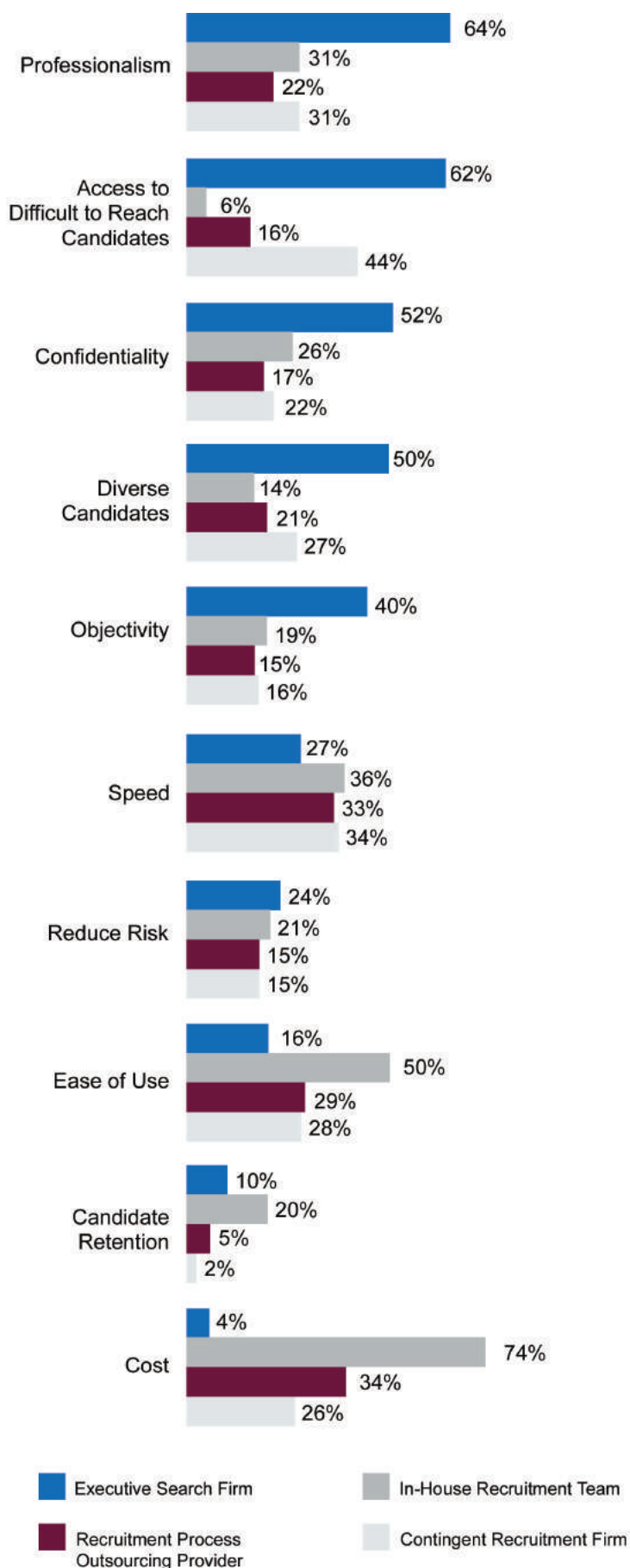


Chart 1-M: Business leaders on their reasons for using the following services for executive searches

We also wanted to better understand the key reasons why business leaders chose to use which service providers based on a number of different circumstances related to an executive search.

Business leaders chose executive search firms as their preferred provider for seven out of nine scenarios, including:

1. Base salary \$300k+ USD
2. C-Suite positions
3. Confidential search
4. Base salary \$200-299k USD
5. Hard-to-fill positions
6. Board recruitment
7. Cross border search

The only scenario where business leaders indicated a preference for in-house recruitment was for a 'base salary \$100-199k USD.' Business leaders indicated a slight preference for recruitment process outsourcing provider for a 'broader range of candidates.' Business leaders did not indicate a preference for contingent recruitment firms in any scenario.

WHICH SERVICE WOULD YOU BE MOST LIKELY TO USE FOR THE FOLLOWING POSITIONS/SEARCHES?

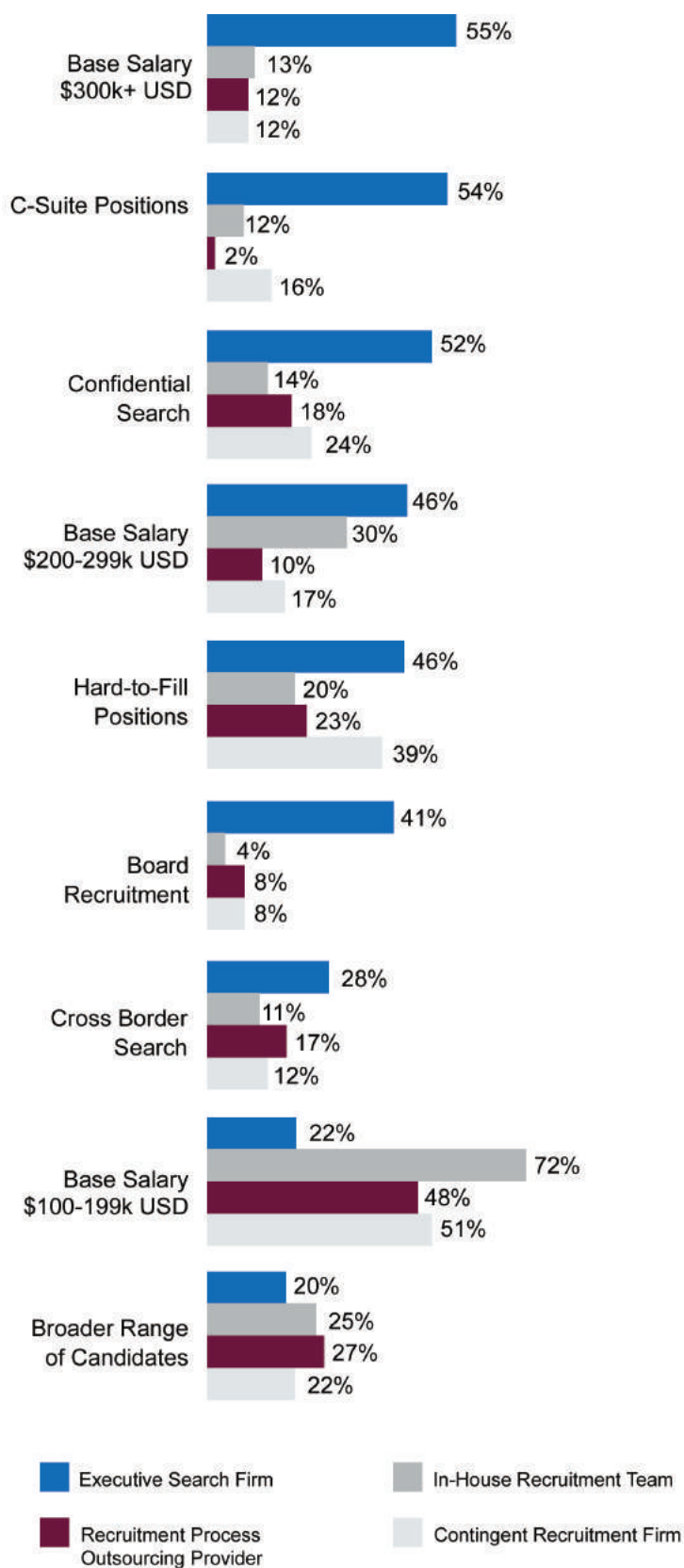


Chart 1-N: Business leaders on which services they would be most likely to use for the following positions/searches

To understand the expectations of service, we wanted to find out more about the significance of different metrics for measuring a successful search. When asked whether they use internal metrics to gauge the success of an executive search, there was a 50/50 split. Considering the level at which executive search firms work, it is somewhat surprising that such a large number of business leaders do not formally measure the success of an executive search assignment.

We asked business leaders which metrics they deemed most important and were the top 3:

1. Business performance of successful candidate over time
2. Length of tenure of successful candidate
3. Diverse slate of candidates

Since it is challenging to measure the business performance of a candidate over time with isolated metrics, this may hint at why half of business leaders do not use internal metrics to gauge the success of a search.

Of those metrics that business leaders rated as 'important' but not necessarily 'highly important,' we find for the most part responses more related to the operational aspects of an assignment:

- Cost per hire
- Time to complete
- Time to first slate of candidates

This indicates that business leaders are choosing executive search firms for the strategic value they bring to their businesses, but they also do maintain an interest in the operational side as well. While not the most important metric, speed continues to be an important factor for business leaders. Losing time means losing opportunity. This must be balanced with time to find the right candidate who will deliver the highest return for the organization over time.

Business leaders want executive search advisors who understand this balance and who will bring a strong sense of urgency to an assignment.

DO YOU USE INTERNAL METRICS TO GAUGE THE SUCCESS OF AN EXECUTIVE SEARCH?

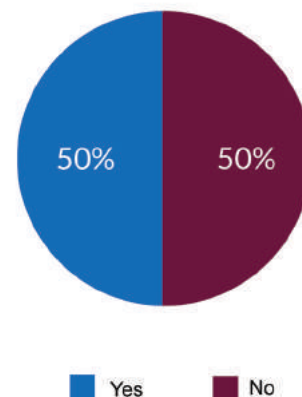


Chart 1-O: Business leaders on if they use internal metrics to gauge the success of an executive search

PLEASE INDICATE THE IMPORTANCE OF THE FOLLOWING METRICS.

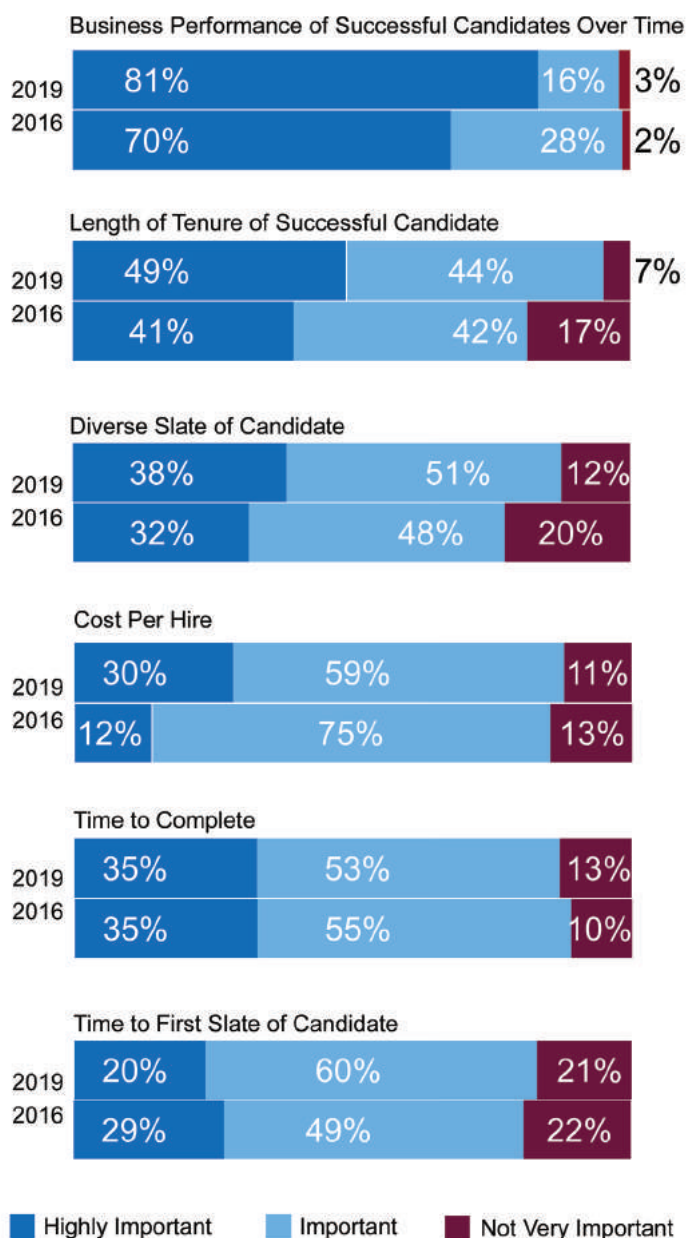


Chart 1-P: Business leaders on the importance of the following metrics

What do organizations most look for when selecting an executive search firm? We asked business leaders to choose the most important factors when choosing a search firm. Above all, business leaders chose both the ‘consultant’s industry/functional knowledge’ (53%) and the ‘consultant’s reputation’ (41%) as the most important factors.

The specific consultant eclipses the firm’s reputation and industry/functional knowledge in importance for business leaders. In many respects, a client is not choosing a firm, but they are instead choosing a consultant and that is ultimately the determining factor in deciding to work with a specific search firm.

More than a third of business leaders (34%) rated a ‘trusted advisor relationship’ as the #4 reason they choose to partner with a specific search firm for their assignments. This shows the importance of executive search as a consulting business with the advisory provided being the value that business leaders seek.

It is worth noting that ‘pricing model’ made the top ten list of factors but did not rank in the top five most important factors. Being a vetted member firm of AESC was also ranked in the top ten factors for business leaders when choosing a search firm, along with diversity track record and the firm’s assessment methodology.

We also asked business leaders who in their organizations makes the decision to use an executive search firm. A third of business leaders reported that the CEO makes that decision in their organizations, followed by a quarter who reported that the head of HR determines that.

WHAT ARE THE MOST IMPORTANT FACTORS TO YOU WHEN SELECTING AN EXECUTIVE SEARCH FIRM?

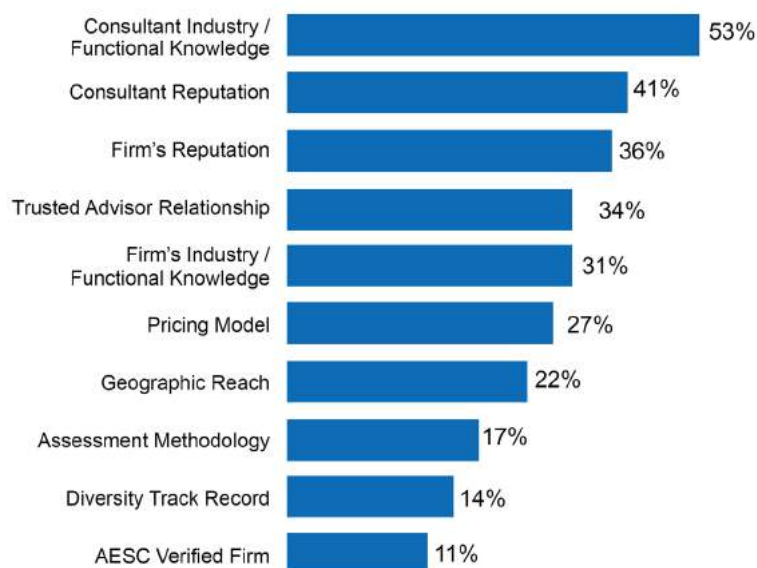


Chart 1-Q: Business leaders on most important factors when selecting an executive search firm

WHO IN YOUR ORGANIZATION MAKES THE FINAL DECISION ON WORKING WITH AN EXECUTIVE SEARCH FIRM?



Chart 1-R: Business leaders on who in the organization makes the final decision on using an executive search firm

Increasingly organizations are seeking candidates beyond the usual suspects who can bring fresh perspectives and new approaches to their businesses. They are also looking for candidates who better reflect their customers and shareholders. Business leaders today understand the business imperative for diverse leadership and they are asking their executive search partners to deliver it. As a result, ‘diverse candidates’ was the #1 response among business leaders when asked how executive search firms can better serve them.

With the business imperative of diversity now at the forefront for business leaders, how can executive search firms partner more deeply with business leaders to identify new ways of finding, attracting and developing diverse talent?

As we have already identified, a trusted advisor relationship with their search partners is highly valued by business leaders. This is echoed in the #2 top way business leaders report that search firms can better serve them—‘better understand business.’ Business leaders are looking for executive search firms to work with them more closely and to understand their businesses on a deeper level, which means understanding their short and long-term goals, their vision and their culture.

BASED ON YOUR CHANGING EXECUTIVE TALENT NEEDS, IN WHAT WAYS CAN EXECUTIVE SEARCH FIRMS BETTER SERVE YOU? (OPEN-ENDED QUESTION)

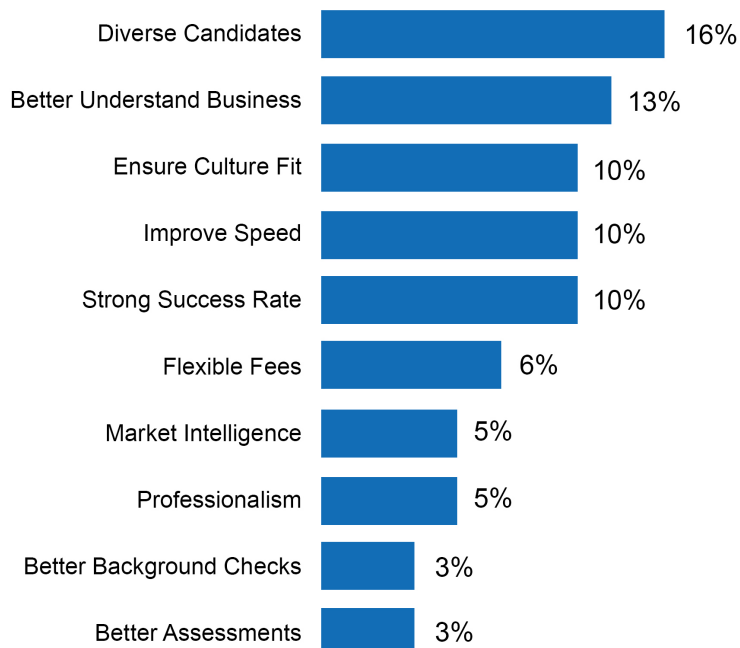


Chart 1-S: Business leaders on how executive search firms can better serve them

WHAT CANDIDATES WANT

In addition to looking at the challenges facing business leaders, we surveyed 1,300 executive-level candidates to further inform our study. We found that a surprising number of candidates are reporting that they are not receiving formal onboarding. This presents an opportunity for business leaders to work more closely with their executive search partners on the onboarding of placed candidates to ensure optimal success. When we surveyed candidates who had been placed in their roles by executive search firms, for our *Executive Talent 2020* study in 2016, only 33% of them reported that the search firm helped during the onboarding process.

This hints at a disconnect among business leaders who may believe they have onboarding covered, and placed candidates who feel their onboarding experience is either lacking or nonexistent. This is a conversation for business leaders to further hone with their executive search partners and to better understand the role the search firm can play in a more extensive onboarding experience.

We also asked candidates in our survey who did receive a formal onboarding, what was included in it. What we found to be of most interest was that less than a third received any IT training or protocol or social media or corporate brand responsibility training or protocol in their onboarding period. This is interesting from a security and reputational risk management perspective. With such heightened focus among organizations on mitigating both cyber and reputational risk, it is worth noting that this attention is lacking in the onboarding process for the majority of executives.

AT THE START OF YOUR MOST RECENT ROLE, DID YOU HAVE A FORMAL ONBOARDING PROCESS?

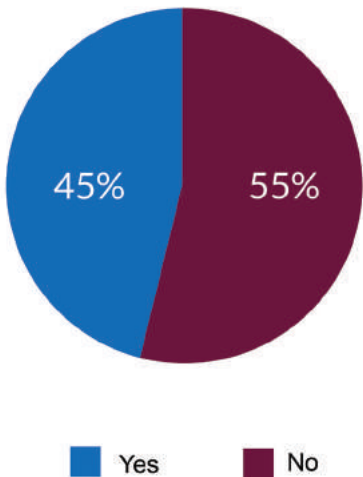


Chart 2-A: Candidates on if they received a formal onboarding process in their most recent roles.

WHAT WAS INCLUDED IN YOUR ONBOARDING PROCESS?

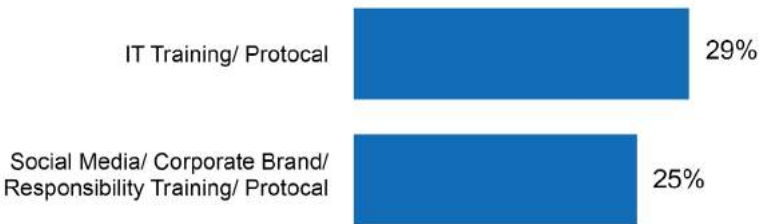


Chart 2-B: We also asked candidates what they wanted in an onboarding experience that they were not getting. Those cited most by candidates were in the areas of long-term strategy, operational procedure and culture.

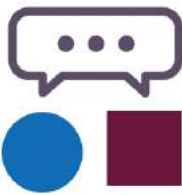
WHAT DO YOU WISH WAS INCLUDED IN YOUR ONBOARDING PROCESS?



DEEPER INSIGHT ON VISION AND STRATEGY



MORE TRAINING ON INTERNAL POLICY AND PROCEDURE



BETTER UNDERSTANDING OF CULTURE

Is a commitment to innovation part of a strong employer value proposition? We asked candidates how an organization's commitment to innovation influences their interest in a role at an organization.

Candidates overwhelmingly reported that innovation plays an important role in their attraction to an organization, with 61% reporting that it strongly impacts their decision to explore a role. Only 3% of candidates shared that an organization's commitment to innovation does not have an impact on their interest in a role at an organization.

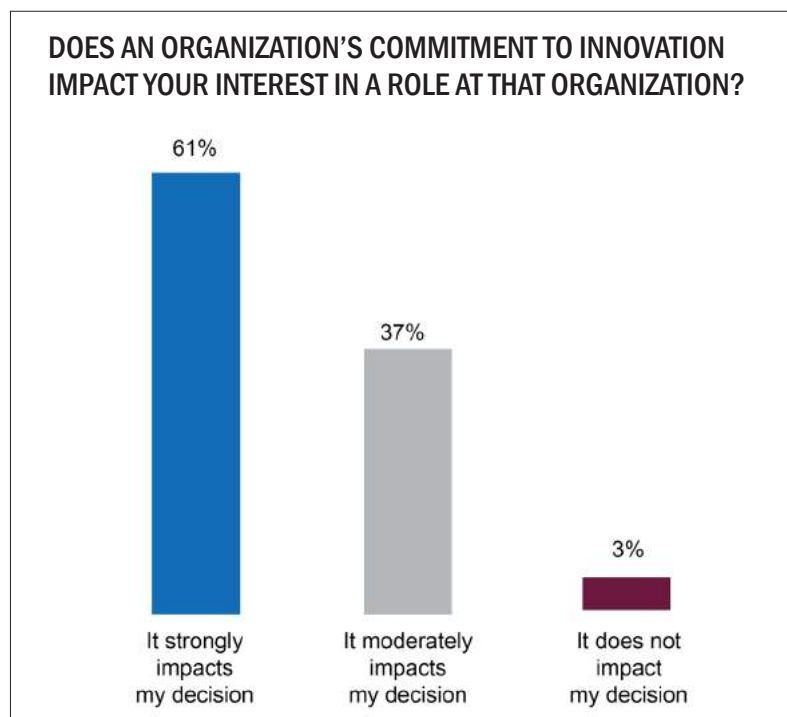


Chart 2-C: Candidates on how a commitment to innovation impacts their interest in an organization

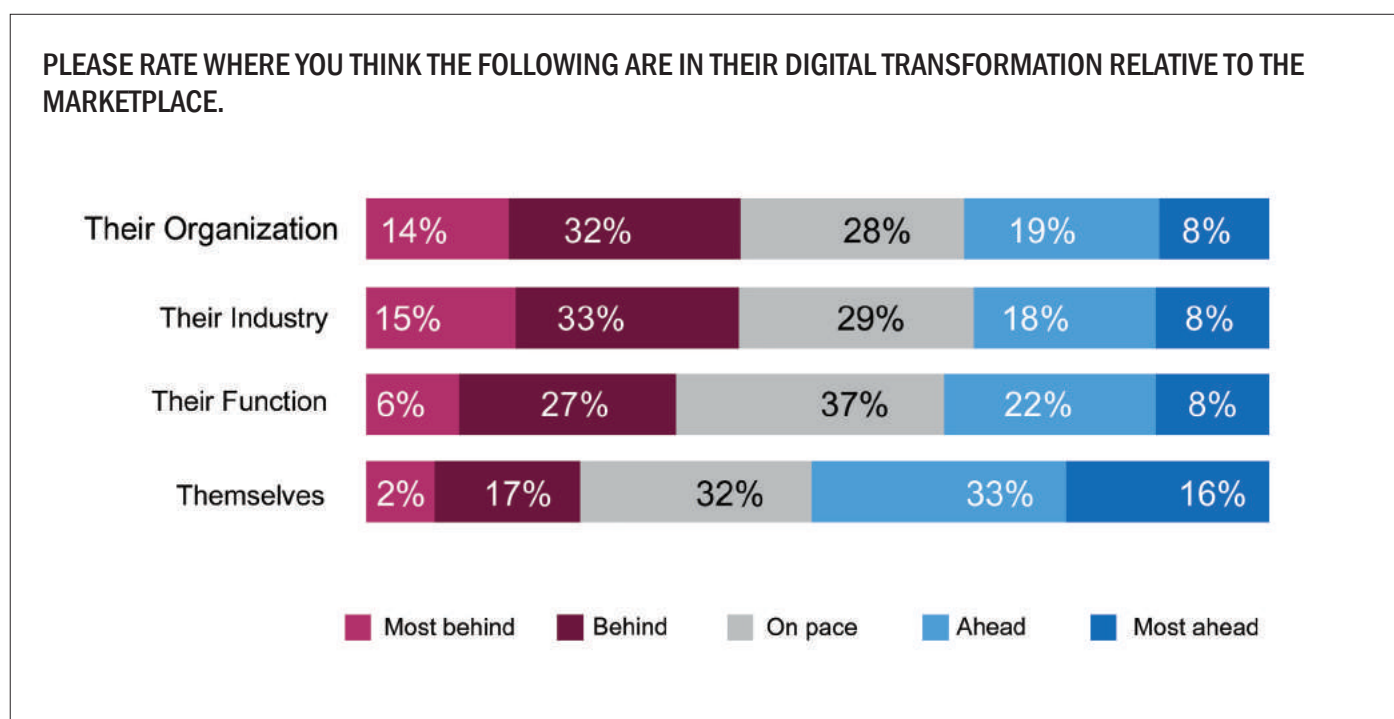


Chart 2-D: Candidates on where they consider the following in terms of digital transformation relative to the marketplace

We also asked candidates to share their thoughts on the progress of their digital transformations relative to the marketplace. Nearly half of candidates felt that their organizations and their industries were behind. Only 19% of candidates however felt they themselves were behind in their abilities to lead digital transformation relative to the

marketplace. This presents a possible disconnect where business leaders have not defined what a transformation looks like for their organizations or industries, or where a perceived ability to drive a digital transformation does not align with the reality.

This again highlights an opportunity for business leaders to further partner

with their executive search and leadership consulting firms on their digital transformation goals. This includes both finding and attracting talent capable of leading a transformation but also providing organizations digital leadership models, shaping organizational culture conducive to transformation, and developing diverse next generation leaders.

AESC MEMBER OUTLOOK

Each year, we survey AESC Members around the globe to gauge the pulse of the global business climate and to assess top organizational challenges and opportunities.

Digital transformation is very much on the business agenda for 2019. AESC Members worldwide ranked ‘actualizing digital transformation’ as the #1 business issue for organizations in the year ahead. Business leaders also chose it as the top issue for 2019. Organizations still grapple with actualizing digital transformation across the enterprise. Transformations are difficult and it takes a clear strategy to transform and the

right talent to lead a transformation.

Today’s C-Suite leaders increasingly understand the critical need for organizational agility, being able to seize upon opportunities when they emerge and quickly shift strategic direction when required. ‘Improving organizational agility’ ranked in the top three issues for organizations in the year ahead by both AESC Members and business leaders. The demand for agility also means more organizations are looking to the next generation of leaders for the talent they need to flourish in a Business 4.0 environment.

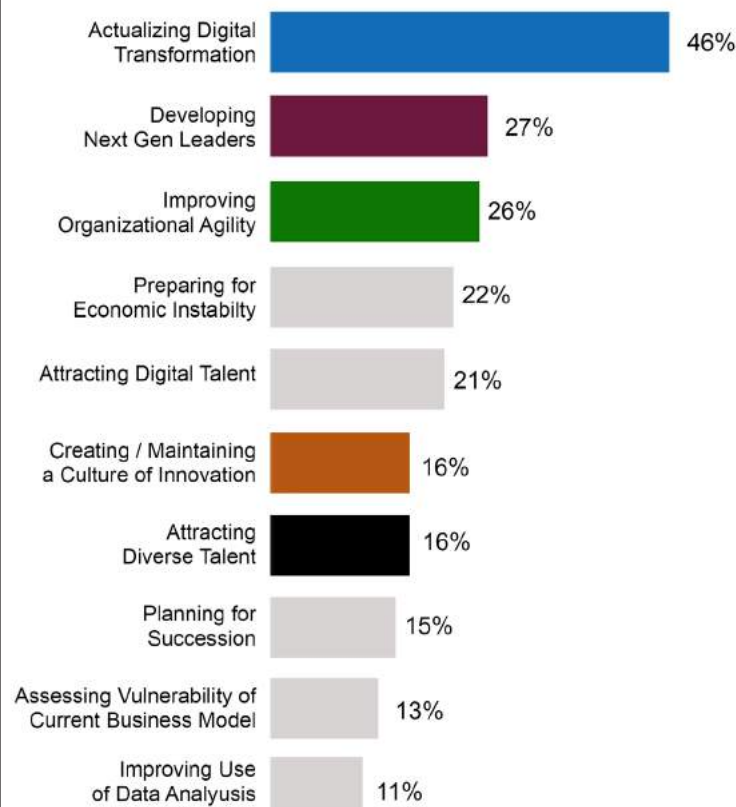
While AESC Members chose ‘developing

next gen leaders’ as a #2 issue for business leaders in 2019, business leaders see it as a more critical issue by 2025, where it moves from #7 on their list today to #1 in five years. This presents an opportunity for executive search and leadership consulting firms to emphasize the importance of developing the next generation of leaders now. Today’s high potential talent could be leaders in 2025 with the right strategic development.

While AESC Members chose ‘preparing for economic instability’ in the top four issues for business leaders in the year ahead, it did not rank in the top ten issues chosen by business leaders.

WHICH OF THE FOLLOWING DO YOU ANTICIPATE WILL BE KEY BUSINESS ISSUES FOR BUSINESS LEADERS IN

ACCORDING TO AESC MEMBERS



ACCORDING TO BUSINESS LEADERS

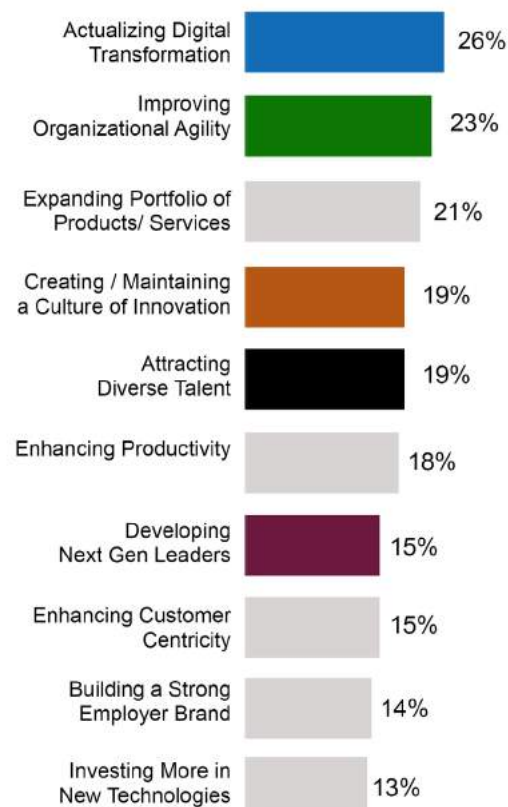


Chart 3-A: AESC Members forecast top client issues in 2019

Chart 3-B: Business leaders identify their top issues for 2019

GEOGRAPHIC VARIANCE

‘Attracting diverse talent’ was ranked the top 7 business issue globally but was ranked 2 for Australia and New Zealand and 3 for India. ‘Planning for succession,’ while ranked 8 globally, was cast as the number one business issue for organizations in Canada. While it did not rank in the top 10 globally, ‘complying with regulation’ was forecast as

a top 5 business issue for organizations in France. ‘Creating and maintaining a culture of innovation’ ranked 6 globally but was ranked as the top 2 business issue for Japan and Korea.

‘Preparing for political instability’ did not rank in the top 10 globally but ranked as the top 3 business issue for Mexico. ‘Improving use of data analytics’ ranked 10 globally but

a top 3 business issue for Latin America. While ‘investing more in new technologies’ did not rank in the top 10 globally, it was ranked as the top 3 business issue for Southern Europe. ‘Enhancing productivity’ ranked in the top 5 for Spain and Portugal even though it was not rated a top 10 business issue globally.

As organizations focus on actualizing their digital transformation across the enterprise, C-Suite leaders increasingly turn to external trusted advisors to help deliver and develop the digital talent they need. Business leaders are working with advisory firms to develop digital competency models specific for their organizations, assessing where they have talent gaps and benchmarking their strengths with the marketplace. As a result, 'digital leadership' is ranked as the fastest growing business advisory service for 2019.

Governance remains a top issue for today's boards of directors (see page 7) and in five years, our research indicates boards will be more focused on strategic issues such as M&A, long-term value creation and board recruitment. Today's organizations are more conscious than ever of their board reflecting their customer base, which means a stronger drive for gender balance and all forms of diversity. Board assessment and advisory services are expected to grow throughout 2019 as organizations seek to ensure relevancy, diversity and digital fluency in the boardroom. As the Baby Boom generation continues to exit the workforce, organizations are realizing the need to fast track high potential but less experienced talent. Leadership development and preparing for succession are both top issues for today's businesses and as a result, both are growing advisory services for 2019.

GEOGRAPHIC VARIANCE

'Culture assessment and alignment' was ranked the top 7 fastest growing advisory service for 2019 but ranked top 3 for organizations in Australia and New Zealand, the Nordics and Latin America. "Interim management" was ranked 10 globally but the top 2 fastest growing external advisory service in 2019 for organizations in Benelux. "Succession planning," while ranked the top 4 fastest growing advisory service globally, it was ranked number one for businesses in Canada.

While ranked the top 5 fastest growing advisory service globally, 'diversity and inclusion' was ranked the number one fastest growing advisory service for businesses in the United States and 2 for organizations in Japan and Korea as well as in the UK and Ireland. 'Leadership assessment' was ranked as the number one fastest external advisory service for organizations in Spain in Portugal, while only 6 globally.

We have already identified that a

FOR WHICH SERVICES DO YOU EXPECT TO SEE THE MOST GROWTH IN 2019?



Chart 3-C: Most in demand leadership advisory services for 2019 as forecast by AESC Members worldwide

commitment to innovation factors in candidates' decisions to consider opportunities with specific organizations, and thus plays a role in a strong employer value proposition. We asked AESC Members how we could better support business leaders with their innovation goals. AESC Members linked driving innovation with 'delivering the right talent' as the #1 way our profession can assist business leaders in this area.

AESC Members also noted the role 'being trusted advisors' plays when understanding the innovation goals of business leaders, being able to identify talent gaps and determine if the existing culture is conducive to fostering innovation. In addition to 'expanding our services' in new ways to accommodate client innovation goals through advisory services, it is interesting to note that 'investing in our own innovation' as a profession ranked as the #4 way we can better support business leaders in innovation.

As the executive search profession looks to support business leaders further with innovation, it is also important to consider the top areas where business leaders told us that we can better support them, all that tie directly back to innovation:

1. Diverse candidates
2. Better understand business
3. Ensure culture fit

With actualizing digital transformation chosen by business leaders and AESC Members as the #1 business issue for organizations in the year ahead, how can our profession better support business leaders to achieve digital transformation? Being able to find and attract top digital talent is of course one critical way that executive search firms can partner with their business leaders on their digital transformation goals. Top digital talent at executive-level is rare and there is high competition for it. Being able to deliver scarce talent we know is an area of high confidence for our profession among business leaders.

But there are other ways we can assist business leaders in their digital transformation goals. Again, AESC research *Leading Transformation: Shaping the C-Suite for Business 4.0 Success* identified as a major hurdle a lack of clear definition as to what a transformation means or looks like. Being able to share best practices and case studies with business leaders that clearly articulate successful transformations and why is one way we can add value. Other AESC Members are looking to digital advisory solutions as new ways to deliver value to their business leaders in this area.

Developing next generation leaders is also another area where we can be partnering with business leaders, helping them to identify high potential talent with strong digital fluency and developing their management and soft skills.

HOW CAN/COULD THE EXECUTIVE SEARCH PROFESSION SUPPORT BUSINESS LEADERS OVER THE NEXT 5 YEARS TO DRIVE SUCCESSFUL INNOVATION?

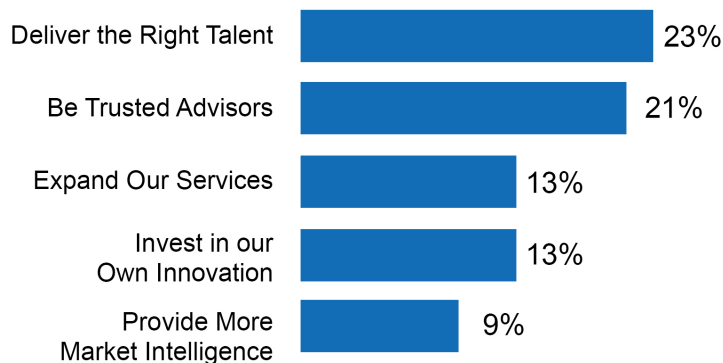


Chart 3-D: AESC Members share how the profession can better support business leaders with successful innovation

HOW CAN/COULD THE EXECUTIVE SEARCH PROFESSION OVER THE NEXT 5 YEARS HELP ORGANIZATIONS SHIFT THEIR C-SUITE PROFILES FOR SUCCESS IN DIGITAL TRANSFORMATION?

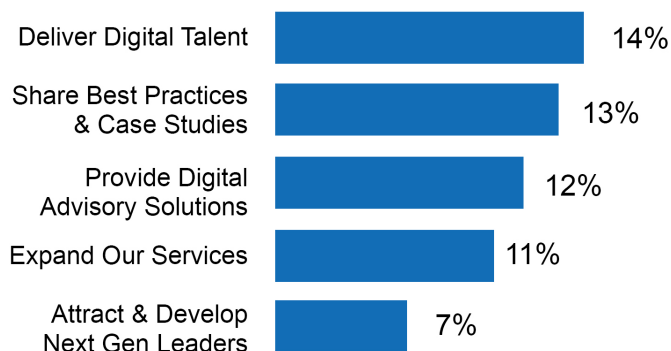


Chart 3-E: AESC Members share how the profession can better support business leaders with successful digital transformation.

STUDY BACKGROUND

PARTICIPANT DEMOGRAPHICS

504 AESC Members

227 Firm Leaders

28% Americas

40% Asia Pacific & Middle East

32% Europe & Africa

1346 EXECUTIVE CANDIDATES



- 16% Supply Chain/ Operations
- 13% General Management
- 13% CEO
- 11% Sales
- 10% Technology / Analytics / Cyber-security
- 9% Finance
- 7% Marketing
- 6% Human Resources
- 2% Board of Directors
- 2% Legal / Compliance/ Regulation

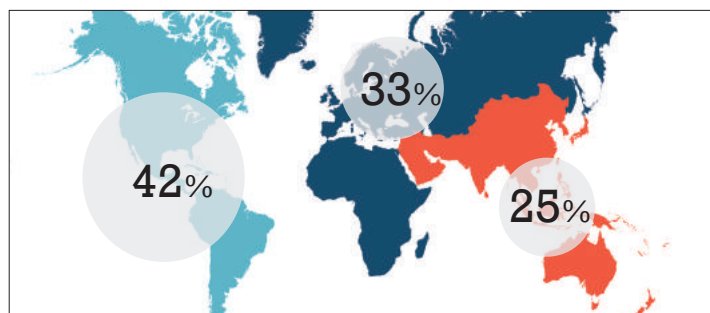


- 17% Technology
- 15% Industrial/ Manufacturing/ Energy
- 13% Business Services/ Professional Services
- 11% Financial/ Insurance
- 11% Consumer/ Retail
- 10% Healthcare/ Life Sciences
- 5% Government/ Education/ Non-profit

42% Americas

25% Asia Pacific & Middle East

33% Europe & Africa



377 CLIENTS OF EXECUTIVE SEARCH & LEADERSHIP CONSULTING SERVICES



- 30% CEO
- 29% Human Resources
- 12% Board of Directors
- 8% Sales
- 6% Supply Chain/ Operations
- 6% Technology / Analytics / Cyber-security
- 5% Finance
- 3% Marketing
- 1% Legal / Compliance/ Regulation

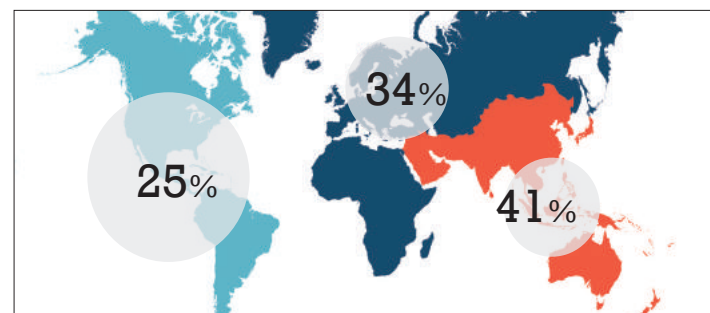


- 22% Business Services/ Professional Services
- 20% Industrial/ Manufacturing/ Energy
- 12% Consumer/ Retail
- 11% Technology
- 9% Financial/ Insurance
- 6% Government/ Education/ Non-profit
- 6% Healthcare/ Life Sciences
- 2% Private Equity

25% Americas

41% Asia Pacific & Middle East

34% Europe & Africa





Since 1959, AESC has set the quality standard for the executive search and leadership advisory profession. AESC Members, ranging in size from large global executive search and leadership advisory firms and networks to regional and boutique firms, represent 16,000+ trusted professionals in 1,200+ offices, spanning 70+ countries. AESC Members are recognized leaders of global executive search and leadership advisory solutions. They leverage their access and expertise to place, find and develop more than 100,000 executives each year in board of directors and C-level positions for the world's leading organizations of all types and sizes.

Dedicated to strengthening leadership worldwide, AESC and its members share a deep commitment to the highest quality standards in executive search and leadership consulting—for the benefit of business leaders and the profession. We Shape. Connect. Educate. Learn more about us at aesc.org.

For candidates, AESC's BlueSteps helps busy executives advance their careers, track their goals and stay visible to the right recruiters. Learn more at bluesteps.com.