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# Global and Regional Leadership Trends 2019



As 2018 comes to a close and 2019 begins, five senior leaders at Russell Reynolds Associates reflect on the global and regional leadership trends they see emerging or accelerating in the coming year.



### GLOBAL TRENDS

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*Leaders need to find a way to lead multinational corporations in a world that at times feels increasingly divided, and one where their decisions have not just public relations, but political ramifications. While CEOs are dealing with external political pressures, corporate directors are increasingly looking inside the organization, and responding to growing expectations that they will play a role overseeing corporate culture, and in the long-term growth and development of senior executives.*

**Multinationals Meet Nationalism:** Leaders need to find a way to lead multinational corporations in an increasingly nationalistic world. The current political situations in the United States – where the president is openly attacking some corporate decisions – and the United Kingdom – where a potential Brexit will impact everything from the movement of people to the movement of goods – are just two of the most prominent examples as we enter 2019. Executives must be comfortable discussing and defending their decisions to the public, but also finding the right balance between being a global entity and a local presence. It is a tightrope walk that most CEOs are unfamiliar with, but that more and more will have to successfully navigate.

**Cultural Expectations Grow:** In the boardroom, directors will face questions about corporate culture that would have been unimaginable just a few years ago. Recent problems at Wells Fargo, Uber, and other large corporations have shined a spotlight on cultural failures, and also highlighted the fact that corporate directors are typically hands-off with regard to organizational culture, leaving it to the CEO and their team. While the day-to-day management of organizational culture will undoubtedly remain management's responsibility, directors can expect to spend more time and energy providing guidance and oversight of culture – and answering tough questions when cultural failures occur.

**Boards Invest in Success:** CEO succession has always been one of the board's most important jobs – but one that often concluded when the new CEO stepped into the corner office. Sophisticated boards are increasingly focused not only on selecting the right CEO but providing them with a structured onboarding and development plans that play out for months if not years after they take over the company. Directors will need to be involved in this effort every step of the way, and increasingly engage with the full C-suite to ensure the leadership team as a whole is succeeding together.



## TRENDS IN THE AMERICAS

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*2019 may be a challenging year for executives in the Americas. Activist investors have been increasingly busy, engaging with a record number of companies in 2018, and likely continuing that trend in 2019. At the same time, economic uncertainty is growing in the region, though not uniformly. While some countries are expecting economic stability this year, others are bracing for a downturn. The challenge for many executives will be successfully leading organizations working in both environments.*

**Activist Engagement Grows – and Shifts:** 2018 was the busiest year for activist investors in history, with 174 companies targeted and 130 board seats secured by the end of the third quarter (surpassing 2017's full year numbers). The trend will continue in 2019, while many activists will also shift tactics, starting with constructive engagement instead of a full-frontal assault. For CEOs and corporate directors, it's time to go back to school on activism, gaining a better understanding of how and why activists do what they do, and refreshing their plans for if – or when – an activist targets their company.

**Driven by Purpose:** Many companies across the region are placing a greater focus today on identifying and articulating their sense of purpose than in past years. This is coming as a response to many factors, including a growing desire from customers to do business with purpose-driven brands, and a growing desire among workers to have a greater sense of purpose in their work. For workers especially, money and benefits matter a lot, but they must exist on top of a strong sense of purpose in the workplace. In the coming year, executives need to become more comfortable talking about purpose alongside profit, both inside and outside their organization.

**Economic Uncertainty is Growing:** Discussions with executives across the Americas reveal varying levels of concern over the health of the economy. Canadian leaders are bullish on the economy, driven by recent reporting of increased levels of investment and hiring. In Brazil there is increasing optimism as a result of both recent good business sentiment, and the election of President Bolsonaro. Bolsonaro is likely to make fiscal and economic reforms, as well as actively fight corruption, both of which may result in increased investments in the country's economy. Mexican executives are concerned about what the coming year will hold, following the recent cancellation of the partially-completed \$13 billion Mexico City airport project and what that decision says about the health of Mexico's economy. Argentinian executives are bracing for what might be a tough year, worried by the recent request by President Macri that the International Monetary Fund release loan monies to the country ahead of plan. If there is significant variation by country, the one thing that remains certain across the entire region is that organizations are increasingly looking for leaders who can comfortably work across multiple countries, each with its own unique economic reality. It sounds hard to do, and in reality, it can be even harder. Markets are increasingly interconnected, especially within geographic regions. Business leaders, even those based in economically strong markets, are in for a few challenging years.



## TRENDS IN EUROPE, MIDDLE EAST, AND AFRICA

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*This will potentially be a year of significant change in the region. The coming Brexit will impact everyone, especially large corporations who may start having trouble recruiting leaders, many of whom may not want to be in the corner office during a period of disruption. Elsewhere, family owned businesses will be increasingly focused on transferring power to younger generations – many of whom do not want to accept it. It's no surprise then that leaders who have the ability to be agile, to help organizations transform, and to lead change will continue to be in high-demand.*

**Brexit on the Mind:** Across Europe – indeed, across the world – multinational companies are struggling to come to grips with the potential impact of Brexit. Investors are asking the question of Boards: Do you have the right leader in place given what we are likely to experience? Does the company have the resources it needs, and the right team in place, to be successful? How does the CEO feel about leading during this period of significant disruption – do they even want to? That third question is tricky. If the board needs to transition CEOs in order to successfully navigate through Brexit, they need to start that process sooner rather than later. Waiting will only make things harder for everyone involved.

**Families in Flux:** More than 60 percent of European companies are family-owned, and many family executives are reaching an age when they are beginning to focus on a transfer of control possibly to the younger generation. At the same time, many members of the younger generations want to build their careers outside the family business, forcing company leaders to make critical choices between selling the company, going public, or shifting day-to-day control to a non-family member, perhaps for the first time. Many family-owned business leaders across Europe will be increasingly focused on this inevitable choice, weighing the future of the enterprise against the legacy of the family.

**Transformation and Agility:** Transformation is in the air. Be it the result of recent technological advances or changes in customers and competitors, or the anticipation of a forthcoming economic downturn and what it will take to survive, leaders will be increasingly focused on transformation in 2019. Hand in hand with that is an increasing focus on agile – applying what was once a niche IT concept to non-technical business practices. When taken together, the focus on both topics explains the growing emphasis on hiring leaders who are comfortable being uncomfortable, open to rethinking the way they work and operate, and who come to the business with a reputation for novel thinking and open-mindedness.



## TRENDS IN ASIA PACIFIC

**PETER O'BRIEN** leads the Asia Pacific region at Russell Reynolds Associates. He is based in Sydney.

*The Asia Pacific region is entering a period of significant transformation, as regulators overhaul corporate governance laws, corporations clean up their internal operations, and the public becomes more aware of issues such as diversity and gender discrimination. All of this is leading to a point where four out of the five largest global economies will be in the Asia Pacific region – a significant shift from today's distribution of economic power.*

**Governance Transformed:** 2019 ushers in a multitude of corporate governance regulation changes across the region. This governance reformation has been almost a 'movement' of followership across Asia with HK, China, Japan, India, Malaysia and Australia setting the pace. Much of this has unfortunately been triggered by confidence and conduct in/of management and boards – a reformation in the needs to oversee and evaluate leaders more effectively. Among others, corporate boards in India must update their director evaluation and review process, Japanese boards must now be comprised of at least one-third independent directors, and large Singaporean and Chinese companies are closely studying – and in many cases, voluntarily adopting – western governance practices in an effort to help enable global expansion. Taken in total, these changes represent the start of a wholesale transformation of corporate governance in the Asia Pacific region, one that will leave many directors scrambling to understand their new responsibilities, many boards looking for potential new directors, and many CEOs needing to completely redefine their relationship with the board.

**A Growing Emphasis on Diversity:** Corporations around the world are increasingly focused on diversity and inclusion (D&I), but the topic may have finally reached a tipping point in Australia in 2018. While the country has achieved 27 years of continuous economic growth under the current governance and leadership business structures, that growth will be unsustainable without courageous review and reform – “what got us successful

doesn't keep us successful.” One widely reported study noted that 97 percent of CEOs were Anglo-Celtic or European, as were 95 percent of senior management. This despite clear evidence that companies with diverse leadership teams are more likely to financially outperform their peers. The issue was complicated by a very public debate over the performance of one of the most prominent female executives in Australia. While the percentage of diverse senior leaders is not going to change overnight, corporate directors and CEOs are likely to spend an increasing amount of time and energy in 2019 thinking about how to improve D&I in their organizations – beyond primarily gender, how to build a leadership pipeline that includes diverse talent, and how to build a board that represents the workforce – and society.

**The Coming Economic Power Shift:** Many economic forecasts are now showing that within the next decade, four out of the five largest economies in the world will be in the Asia Pacific region (China, USA, India, Japan, and Indonesia), a significant shift representing an economic retreat for Europe relative to today's rankings (USA, China, Japan, Germany, United Kingdom). Forward-thinking leaders in government and the private sector are starting to prepare for this change, cleaning up their corporate governance practices, getting the right leaders in place and building a robust talent and succession pipeline, and removing any actual or perceived corruption within the organization or country. For leaders who are not already pushing their organizations in this direction, the widespread governance changes being implemented across the region will likely spur them into urgent action in 2019. Leadership worldwide needs to be highly active in thinking through the implications to their organizations and business models in 2019, preparing for the new global economic environment that is quickly evolving and will impact everyone!

Russell Reynolds Associates is a global search and leadership advisory firm. Our 425+ consultants in 46 offices work with public, private and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic and political trends that are reshaping the global business environment. From helping boards with their structure, culture and effectiveness to identifying, assessing and defining the best leadership for organizations – our teams bring their decades of expertise to help clients solve their most complex leadership issues. Find out more at [www.russellreynolds.com](http://www.russellreynolds.com). Follow us on Twitter: [@RRAonLeadership](https://twitter.com/RRAonLeadership)



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