2022 CEO Survey — The Year Perspectives Changed

Published 12 April 2022 - ID G00766731 - 35 min read

By Analyst(s): Mark Raskino, Kristin Moyer, Stephen Smith

Initiatives: Executive Leadership: Enterprise Strategic Planning and Execution; CIO Executive Leadership Development; CIO Leadership of Strategy, Governance and Operating Models

There are some deep changes to CEO priorities in 2022. People, purpose, prices and productivity are four themes that emerged from our analysis of this year's annual global CEO and senior business executive survey. Executive leaders should use these to frame postpandemic strategies.

Overview

Key Findings

- CEOs' digital business ambition continues to rise, unabated by the pandemic and related crisis.
- CEOs see a 3.7-year gap in the digital race between traditional industry peers.
- Workforce has risen to become the third most important priority area for CEOs in 2022 and 2023.
- For the first time ever, CEOs place environmental sustainability in their top 10 priorities.
- Sixty-two percent of CEOs see general price inflation as a persistent or long-term issue.
- The top response to inflation is to raise prices (51% of CEOs); only 22% mention productivity.
- Superior products and services are the top competitive differentiator; customer experience is second.
- Activist investors are influencing CEOs more than OECD corporation tax changes.
- Fifty-five percent of CEOs say hybrid and remote work are the biggest postpandemic social behavior changes.
- CEOs top two hybrid work policy concerns are culture, 27%, and productivity, 16%.
- CEOs see AI as the most impactful new technology; conversely, 63% say metaverse doesn't matter.

Recommendations

To match strategy to the reshaped global trends that CEOs see, executive leaders should:

- **Assert data science into hybrid work design.** The new dynamics of work are unknown and shifting. Even the CEO's intuitive judgment is likely to be mistaken. This is a key area for fact-based, management science experiments.

- **Use technology roles as a company test bed for the future of work and talent development.** IT staff and business technologists are some of the hardest employees to recruit and retain. It makes sense to trial and develop your leading-edge talent management ideas with this group first.

- **Make environmental sustainability an integral goal of digital transformations.** The stage is set for environmental sustainability as a big theme in corporate growth transformations for the 2020s. Digital transformation continues, but the two must be blended, not contended.

- **Pivot to productivity as a key focus for technology agendas.** Rising inflation is sticky and might become long-term. Reshoring is needed to deal with geopolitics. A deeper, more direct focus on productivity engineering will help restructure the cost base to compensate.

- **Mostly ignore metaverse hype.** Avoid wasting effort on concepts that are many years from offering substantive value to your enterprise at scale. Invest in small-scale R&D tests only if there are powerful, specific business ideas for your industry.

Strategic Planning Assumption

By 2025, productivity will be a top five CEO strategic business priority.

Survey Objective

Gartner's annual CEO and Senior Business Executive Survey [1] is a global assessment of business leader priorities and technology-related thinking. It investigates the views of CEOs from end-user industries outside the tech sector. It surveys commercial, revenue-pursuing organizations, but not government. Complete details of the survey method and respondent demographics are provided at the end of this report.

Data Insights

An important note on the invasion of Ukraine: This year's survey was completed before the Russian invasion of Ukraine. We are confident that the insights from the research remain valid. Where we believe that findings are modified by the geopolitical impacts, comments are shown in a call-out like this.

For an assessment of the possible strategic implications for business, see 4 Scenarios to Assess Long-Term Implications of the Russian Invasion of Ukraine.

How to Read This Research

You are busy, time is precious, and we don't intend that you read to the end of this long report. Instead, we suggest quickly browsing the findings on the front page to see what is most important to you and then skipping directly to those points. After the introduction and the recommendations, titled findings sections are laid out in the same order.

Introduction

This research and advice is primarily for C-level executive leaders involved in technology-related strategic change to the business in which they work. That includes CEOs, CIOs, CTOs, CDOs, CFOs, COOs, strategy officers, CHROs and others. Some tech provider leaders may gain secondary value insights relevant to their marketing strategies.

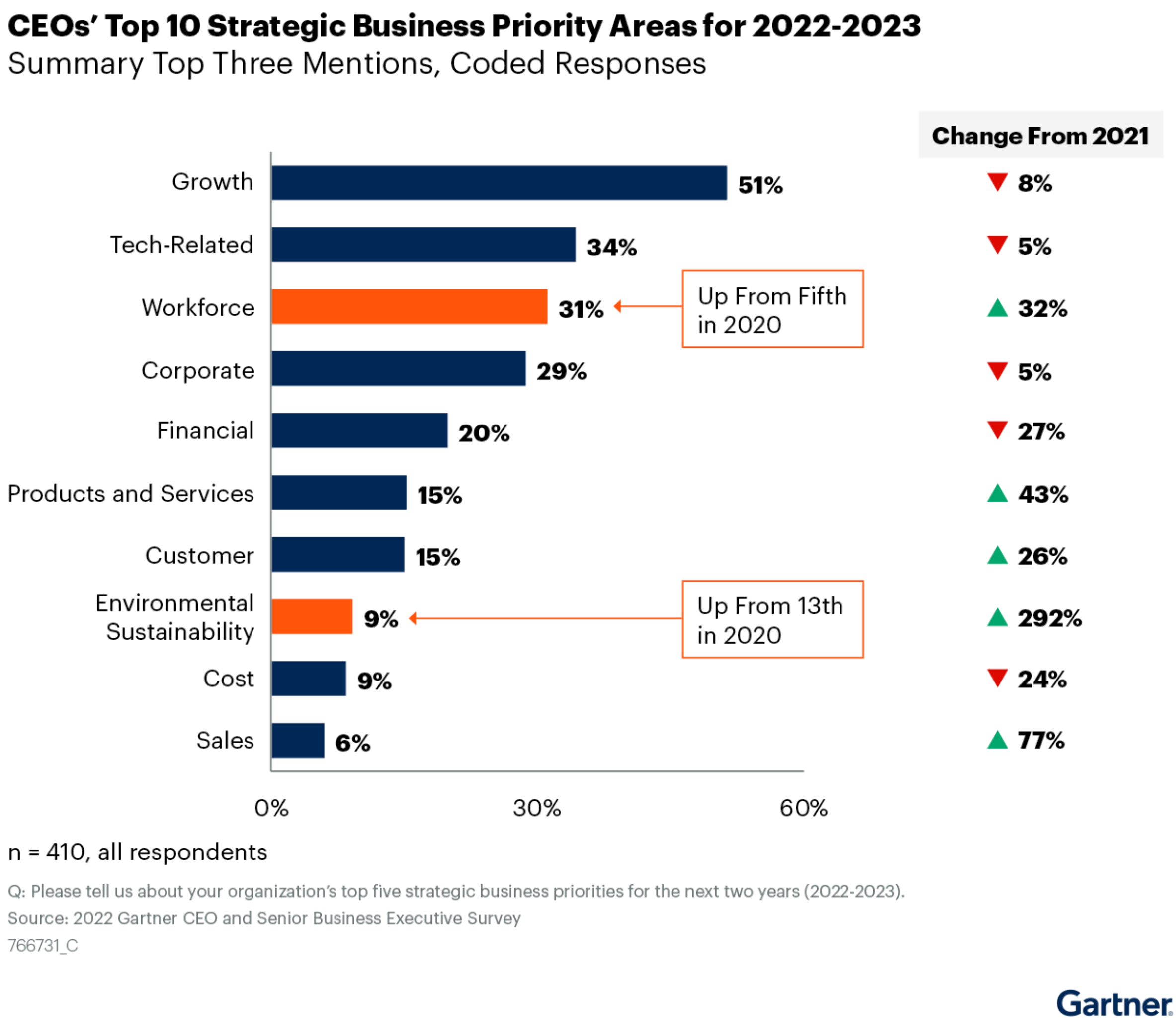
This year's report title theme is "the year perspectives changed." In the last 15 years of the survey, we have only observed such deep change to business leaders' top priorities once before. That was in 2009 through 2010, during the financial crisis. In 2022, business leaders are reappraising the order of precedence in some key areas of business purpose and management focus. This shift is being catalyzed by multiple macro trends and economic factors — some cyclical, some not. We expect the resulting CEO mindset shift to be substantial and multiyear enduring.

CEO Top Strategic Business Priority Shifts for 2022 Through 2023

Every year, we ask survey respondents for their top five strategic business priorities as an open question. This method preserves their naturally arising thoughts and choice of words. We categorize the answers in a structure that has been evolved from this data over a decade. That consistent longitudinal research history enables us to see significant changes clearly and to separate secular shifts from economic cycle effects.

This year, two important changes stand out, as shown in Figure 1.

Figure 1. CEOs' Top 10 Strategic Business Priority Areas for 2022 Through 2023



First, the priority of workforce issues, such as talent retention, hiring and DEI, has risen substantially for the second year in a row. It is now in third place, only a little behind technology-related issues such as digitalization, e-commerce and cybersecurity and significantly ahead of financial issues such as profitability, cash flow and capital funding. Undoubtedly, the combination of societal trends around DEI, followed by the social attitude effects of the pandemic, have led to a set of workforce issues important enough to warrant a high amount of the CEO's attention. That is to be expected. When things are stable in a subject area, CEOs are happy to fully delegate to the specialist executive role. However, when a really big change is underway, the CEO gets directly involved. Right now, CHROs need a lot of help from their CEOs.

Second, environmental issues have entered the top 10 for the first time in the history of the survey. Do not be misled by the seemingly low absolute position — the rate of change is very significant. To put it in context, the environmental response category was in 14th place in 2019 and 20th in 2015, using the same question and survey method. Business leaders are under pressure from customers, investors, regulators and employees to do more on environmental sustainability, and they are now treating the needed changes as opportunities to drive business efficiency and revenue growth.

In addition, the top 10 priorities this year show that:

- Growth is always the top priority, but it has faded this year. We think this is due to the impact of supply chain problems. CEOs may not push so hard to drive up demand, if they cannot supply.
- The technology-related category remains second priority. The pandemic highlighted to CEOs the value of remote working, online selling and other digital mechanisms. They will maintain the focus.
- The corporate category includes changes to a business such as M&A, strategy refresh and restructuring. M&A levels remain high in 2022, though down a little from 2020 and 2021.
- The financial category is down noticeably this year, probably because cash flow, balance sheet health and profit margins are generally good. Interest rates have not yet increased the cost of capital.
- There is a rise in the priority of product improvement, but elsewhere in the data, there is little evidence of R&D investment increase. We believe products are receiving tuneups and cosmetic adjustments (packaging, pricing, upgrading) to meet shifting postpandemic customer needs.
- The customer priority category has risen a little from a low point last year. CEO attention has been drawn toward internal people management issues and may need to switch back to customers more strongly soon.
- Cost management discipline was often forcibly improved by the pandemic in 2020 and 2021, so CEOs are not paying as much attention to it this year.
- Attention to selling has risen from a very low base to creep back onto the top 10 list this year. This indicates that some industry sectors without supply chain problems are able to push for growth.

- Two items fell out of the top 10. It's not surprising that "overcoming COVID-19 impact" has fallen away. However, it concerns us that efficiency and productivity has reduced in visibility. Later in this report, we advise that this will be a crucial area of focus if inflation persists.

Digital Business Recommendations for Executive Leaders and CEOs

Assert Data Science Into Hybrid Work Design

The new dynamics of work are unknown and shifting. Companies are struggling to find the right hybrid balance between home and remote working. Staff with changed life attitudes are demanding greater flexibility in other areas such as support for family, children and personal development. Shortages have arisen as people leave the workforce. Some of these effects might abate; others could strengthen. CEOs are being brought into the discussions directly to help define, approve and fund major workforce policy changes. However, we believe that too much reliance on the CEO's intuitive judgment is likely to be a mistake that could cost the company dearly in the competition for talent. CEOs are often older, perhaps in their mid-to-late 50s, so their direct managerial grasp of millennial and centennial social attitudes toward work may be partly outdated. Additionally, their own work patterns are heavily time-scheduled and concierged, so that they cannot easily intuitively map their own daily work experience to that of lower-level office workers.

This is a key area for fact-based, management science experiments. If ever there was a test case for data-driven decision making, this is it. Many leadership teams profess that they intend to be more data-driven. Here is a situation to prove that intent. CEOs should control their natural reflex to apply personal experience. Instead, ask for tests to be designed and enacted quickly. For example, try different office workday patterns and measure the work outcomes. Track where creative ideas originated, and then ask a business analyst to investigate whether they really arose from watercooler conversations. Use qualitative survey methods to research employee attitudes. Develop new metrics and KPIs to tie in with the overall human-centric approach. Reverting to old patterns of 20th century 9-to-5 received wisdom is unlikely to serve the company well in the midterm.

Use Technology Roles as a Company Test Bed for the Future of Work and Talent

IT staff and business technologists are some of the hardest employees to recruit and retain. It makes sense to trial and develop your leading-edge talent management ideas with this group first.

The acute need to attract and retain technology staff should lead to leadership risk-taking attitudes toward more experimentation with innovative talent management ideas. For example, Gartner has advised on the use of agile learning for several years (see Future of Work Trends: The Agile Learning Imperative).

However, it remains far from being widely or deeply practiced. IT is a natural place to explore its application most vigorously. That is because IT is a fast-moving skills churn area and one where the specialists are likely more naturally amenable to trying new technology-based learning and development tools. IT is also a department that typically has a highly male-skewed gender balance. That might make it a good place to test out more radical ways of changing the employee experience to attract women. IT might also be a good place to pioneer the introduction of more neurodiverse talent (see Talent Diversity: How CIOs Can Attract Neurodiverse Individuals to Bridge the Digital Skills Gap).

Make Environmental Sustainability a Goal of Digital Transformations

This research finds that the stage is set for environmental sustainability as a big theme in corporate growth transformations for the 2020s and beyond. Digital transformation continues, but the two must be blended, not contended.

It will be tempting for “heads down and drive” digital transformation leaders to relentlessly stay on course with the technology-enabled strategy directions idea already agreed to and in play. However, that could lead to key resource contention and significant disagreements with those who have more recently been charged with leading deep environmental sustainability shifts. Two separate streams of transformation work might not play nice. Integrating digital transformation thinking with environmental sustainability thinking will involve decarbonization and circular economy changes to products and services, the business model, supply chain optimization and more. There needs to be a structural reconsideration about how tech can enable the redevelopment of products and business operations to lower carbon footprints and enable circular economy models. That needs to be done innovatively to enhance business growth rather than impede it. To get started, read this research: Apply Digital Business to Sustainability.

Pivot to Productivity as a Key Focus for Technology Agendas

Rising inflation is sticky and might become long-term. Reshoring is needed to deal with geopolitics. A deeper, more direct focus on productivity engineering will help restructure the cost base to compensate.

At the start of 2022, CEOs were not thinking much about productivity and efficiency. This research explores and explains why that has been a multiyear finding of this survey. CEOs have tended to delegate the matter and treat it as a secondary consideration. However, that attitude has been in play at a time of historically tame inflation. Now, it seems inflation is rising and sticking around for a while (further exacerbated by the Russian invasion of Ukraine). If we look back to the 1970s and 1980s when inflation was a major feature of the business landscape, productivity advancement was central, not peripheral to CEO thinking. We predict that it will return. Without it, passing input costs on to customers in the form of higher prices starts to become difficult, and then profit margins erode.

Technology has always been applied to productivity, of course. But in recent years, a lot of digital effort has tended to be invested in marketing and selling and in product and customer experience innovation, rather than core internal operating efficiency gains. We believe a new tech focus on breakthrough — not just incremental — productivity is likely needed to thwart inflation later in 2022, 2023 and beyond.

Mostly Ignore Metaverse Hype

Avoid wasting effort on concepts that are many years away from offering substantive value to your enterprise at scale. Invest in small-scale R&D tests only if there are powerful, specific business ideas for your industry.

The tech sector is on the down slope of a long cyclical boom that started over a decade ago. Though it isn't crashing the way it did after the dot-com bubble, tech sector valuations and price earnings multiples have been reducing fairly quickly. The industry needs to sustain its sizzle for as long as it can. To do that, it will throw exotic new technology ideas up in the air to attract attention, amplified by sizable marketing budgets.

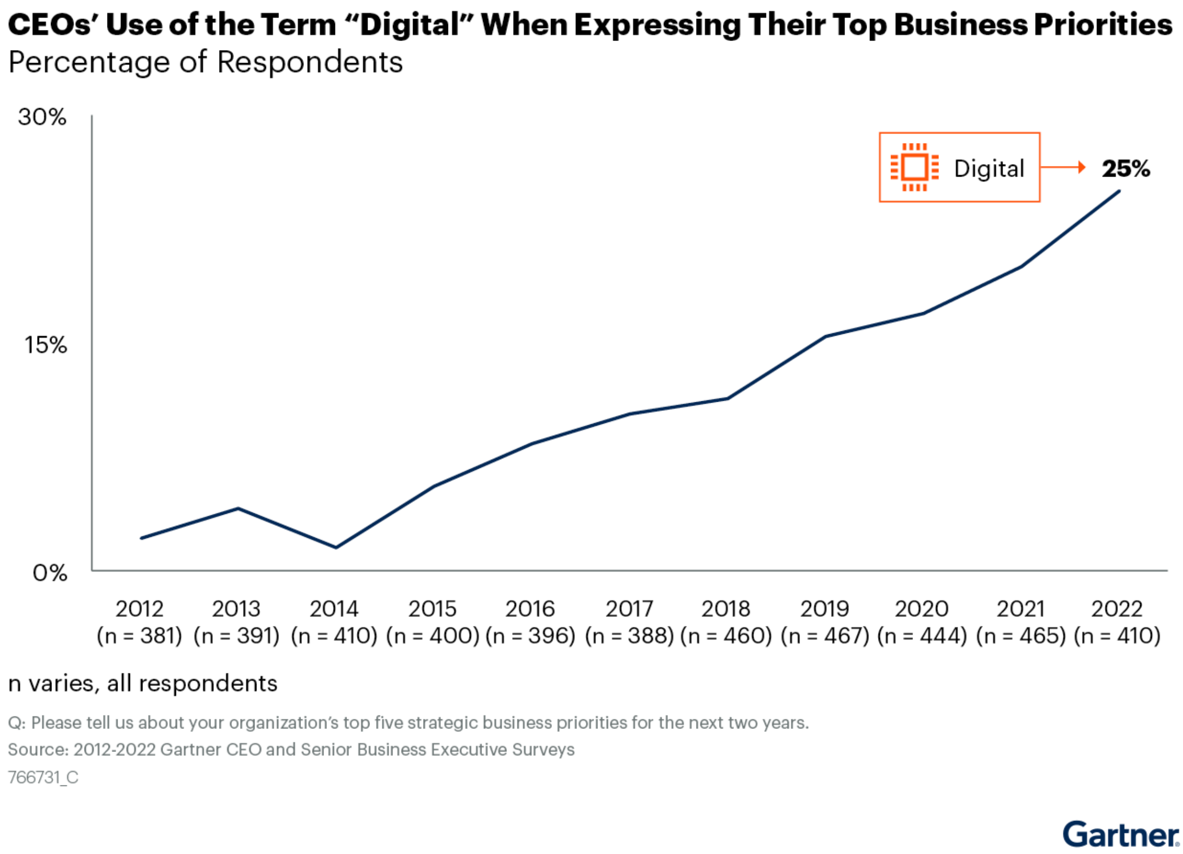
Most corporations already have more newer technology tools at their disposal than they can fully exploit — from cloud and mobile to blockchain and AI. Adding metaverse, quantum computing or other bleeding-edge ideas to the pile isn't going to help make real business value returns; it is more likely to distract from them.

CEOs' Digital Business Ambition Continues to Rise, Unabated by the Pandemic and Its Related Crisis

Ukraine Invasion Observation: *During the pandemic crisis, technology was an immediate, direct and obvious source of business solutions such as remote work and electronic commerce. In the Ukraine crisis, the linkage is less clear. Of course, technology will be part of any modern business strategic change — but likely in less-direct ways and in a more supporting role. CEOs in some industries will be faced with difficult, abrupt and complex corporate changes that may require existing change programs such as digital transformation to be deprioritized for a while and perhaps rescoped later. For more insights, see Responding to the Russian Invasion of Ukraine.*

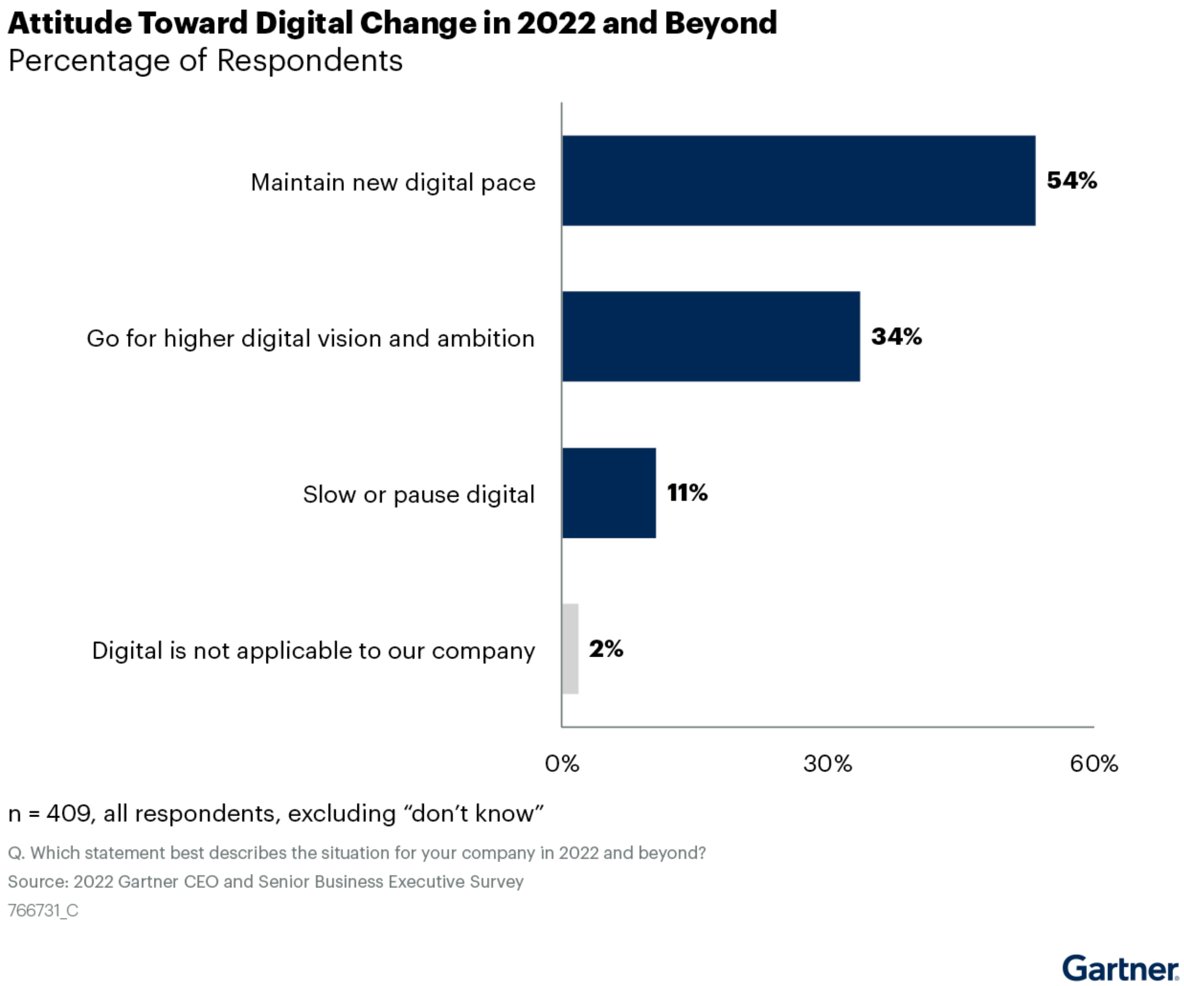
Over the last decade, the term "digital" in business has come to mean almost anything and everything relating to the use of data and microprocessors. Use of "the d word" does not seem to be fading away like "e-business" did in the 2000s. CEOs are using it even more. The graph in Figure 2 shows a linear, secular trend that is not following a business cycle and has not been substantially deflected by the pandemic.

Figure 2. CEOs' Use of the Term "Digital" When Expressing Their Top Business Priorities



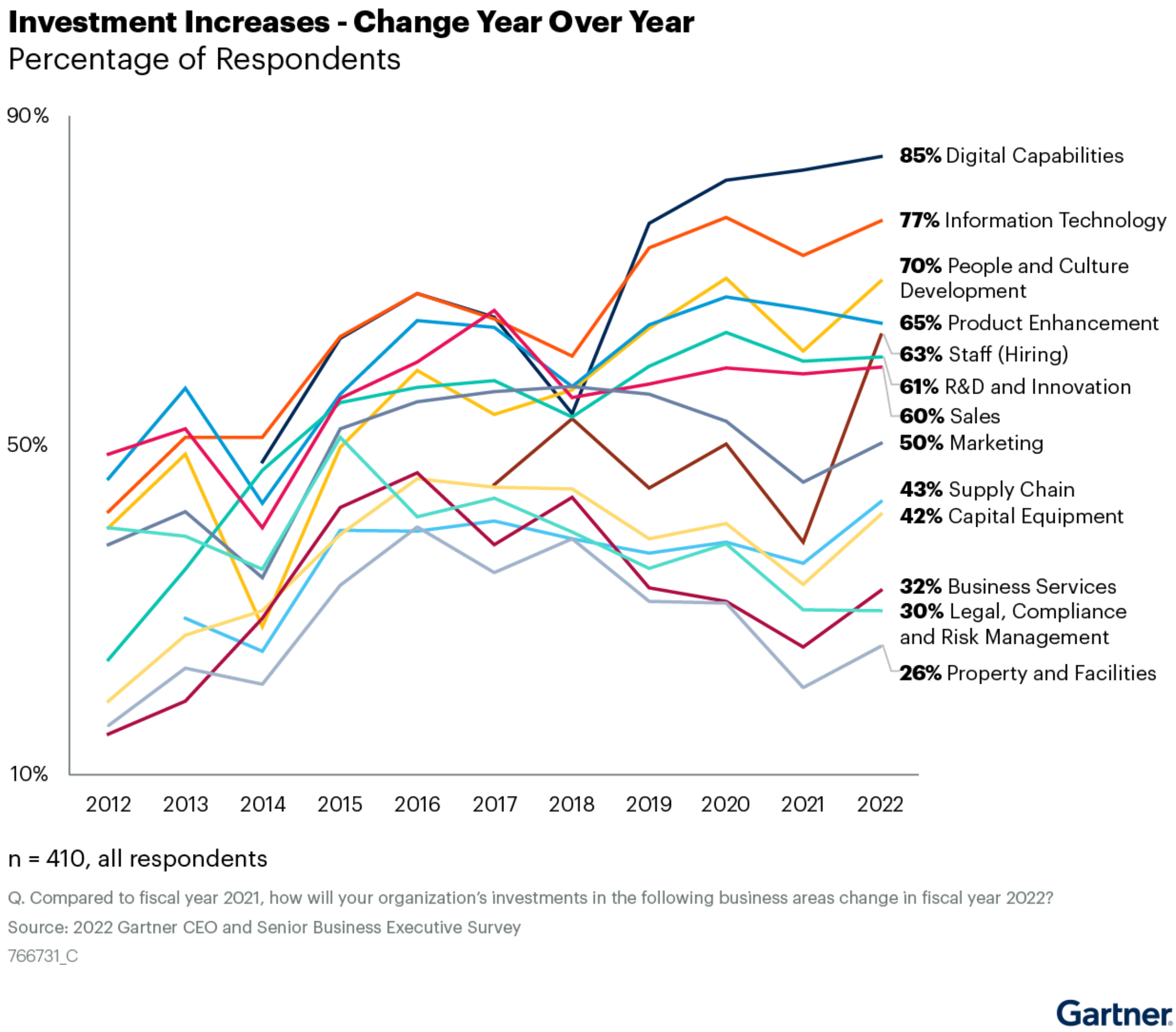
When asked about their attitude toward digital change in their business, over half selected the viewpoint that they are maintaining their newfound pace, while a third pointed to reaching even further in their vision and ambition. However, there is a small number who thought that they could afford to slow or pause digital change, following the rapid advances made during the pandemic period (see Figure 3).

Figure 3. CEOs' Attitude Toward Digital Business Change in 2022 and Beyond



In answering this question, most CEOs displayed a bullish attitude toward digital change. But are they prepared to invest in it? Figure 4 suggests they are.

Figure 4. 2022 Investment Increase Intention — Change Over Time



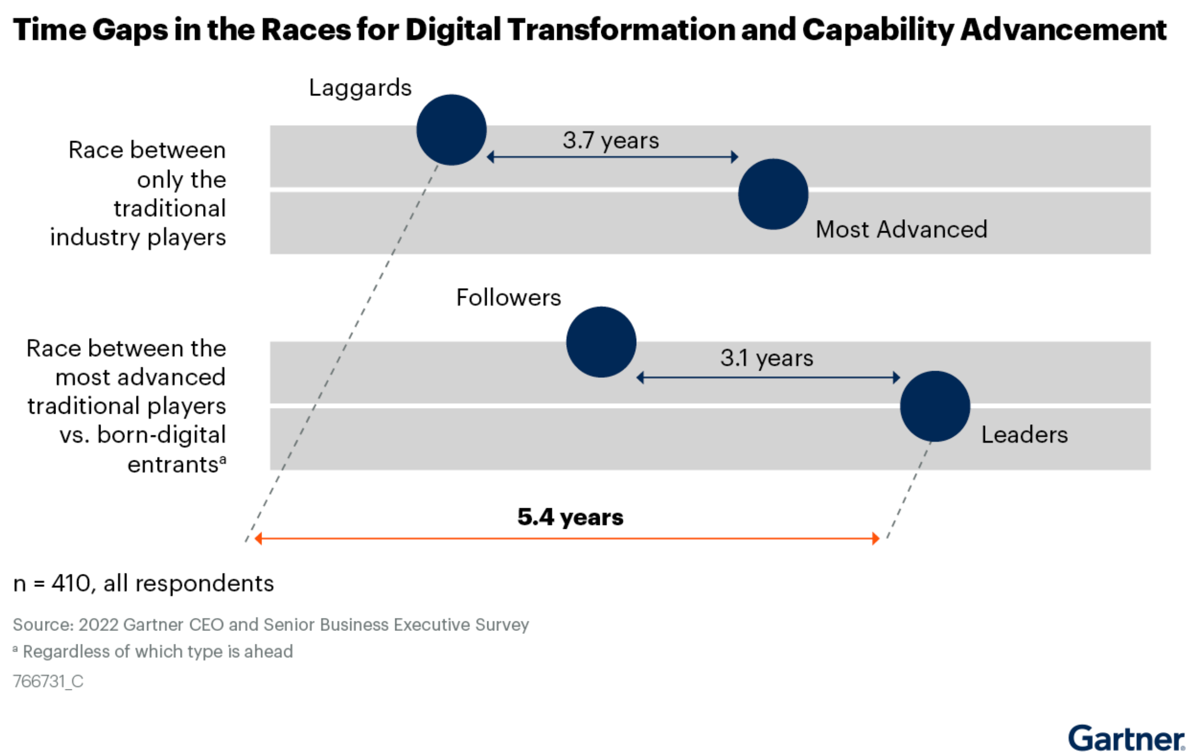
Every year, we ask whether CEOs intend to grow, cut or hold investment levels in the many different areas of the business. The chart shows only the percentage of respondents who intend to increase investment. Clearly, digital capabilities and information technology continue to be strongly backed. Also notice that investment intention rose in most areas this year — a sign of recovery from the economic trauma of the pandemic period.

CEOs See a 3.7-Year Gap in the Digital Race Between Traditional Industry Peers

Ukraine Invasion Observation: *The overall global rate of technological progress doesn't usually slow in times of geopolitical crisis — though there may be regions that slip back. In fact, it is often accelerated by defense R&D expenditure and sharper corporate decisiveness over its application. Both the great financial crisis and the COVID-19 pandemic catalyzed digital acceleration. Many of the core technologies we rely on today — such as the internet and GPS — trace their origins back to the last cold war.*

Digital acceleration is not just a factor of individual company volition. How competition sets the pace is important to the way CEOs think. With that in mind, we asked about the gap between digital leaders and laggards, as they perceive it, within their industry. Clearly what constitutes leadership will vary considerably by industry context. So for this question, we boiled it down to a common denominator — time. First, we asked for the time gap between the most advanced and the furthest behind among traditional industry players. Then we asked about the gap between "born-digital" new entrants to the industry and the most advanced traditional players. The results are depicted in Figure 5.

Figure 5. Time Gaps in the Races for Digital Transformation and Capability Advancement



Overall, it seems like most CEOs will be pacing themselves within a race that is something over three years from the front of the pack to the back. While companies in asset-intensive industries might consider three years as a midterm horizon for business strategy, others would think of it as long range. Many companies have three years as their maximum planning horizon. So this gap is quite substantial. Companies that need to accelerate their digital progress should read this research: Apply Exponential Learning Tactics to Digital Business Acceleration.

Figure 6 shows that, when we examine the race between born-digital and traditional players, it is not always the new entrants who are perceived to be the leaders. Indeed, nearly half of respondents thought that the best traditional players were in front or there was no gap. However, when the new entrants are perceived to be ahead, the average gap is wider.

Figure 6. Gap Between "Born-Digital" New Entrants and Most Advanced Traditional Players

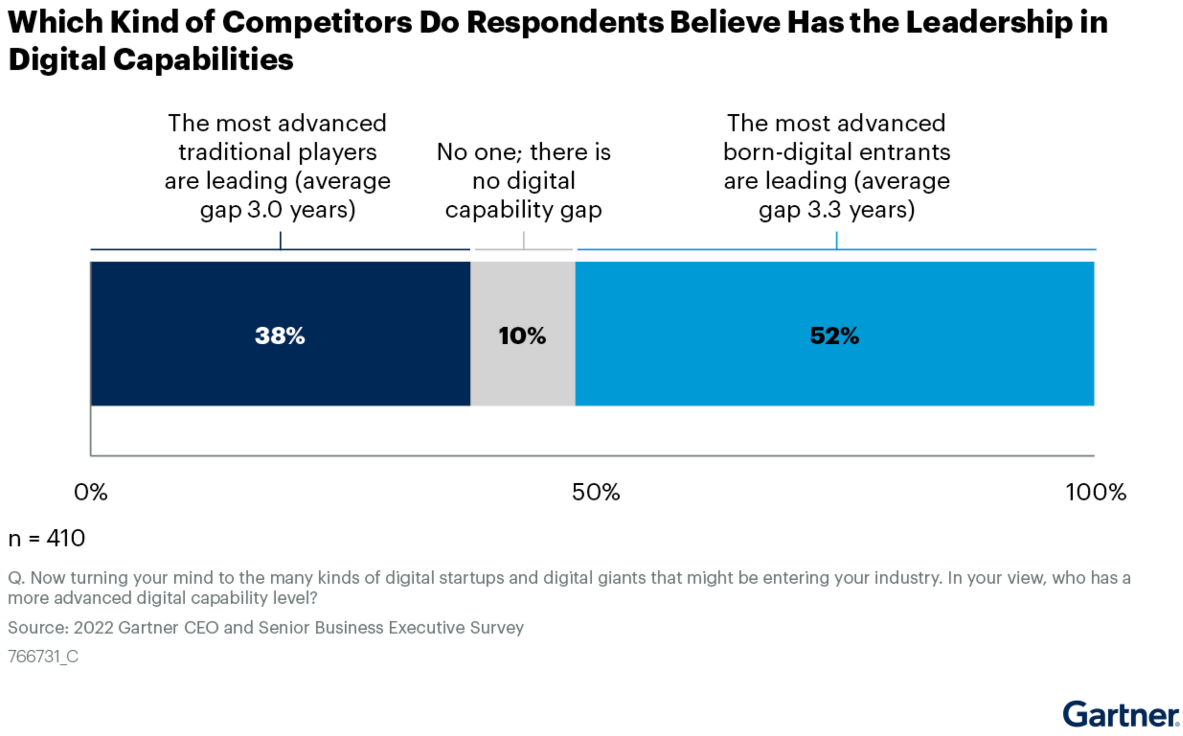


Figure 6 shows that, while 52% perceive the born-digital players to be in the lead, over a third see the most advanced traditional players as setting the pace. Despite the digital acceleration of the last few years, it is clear that digital capability continues to be a source of significant competitive difference in industries.

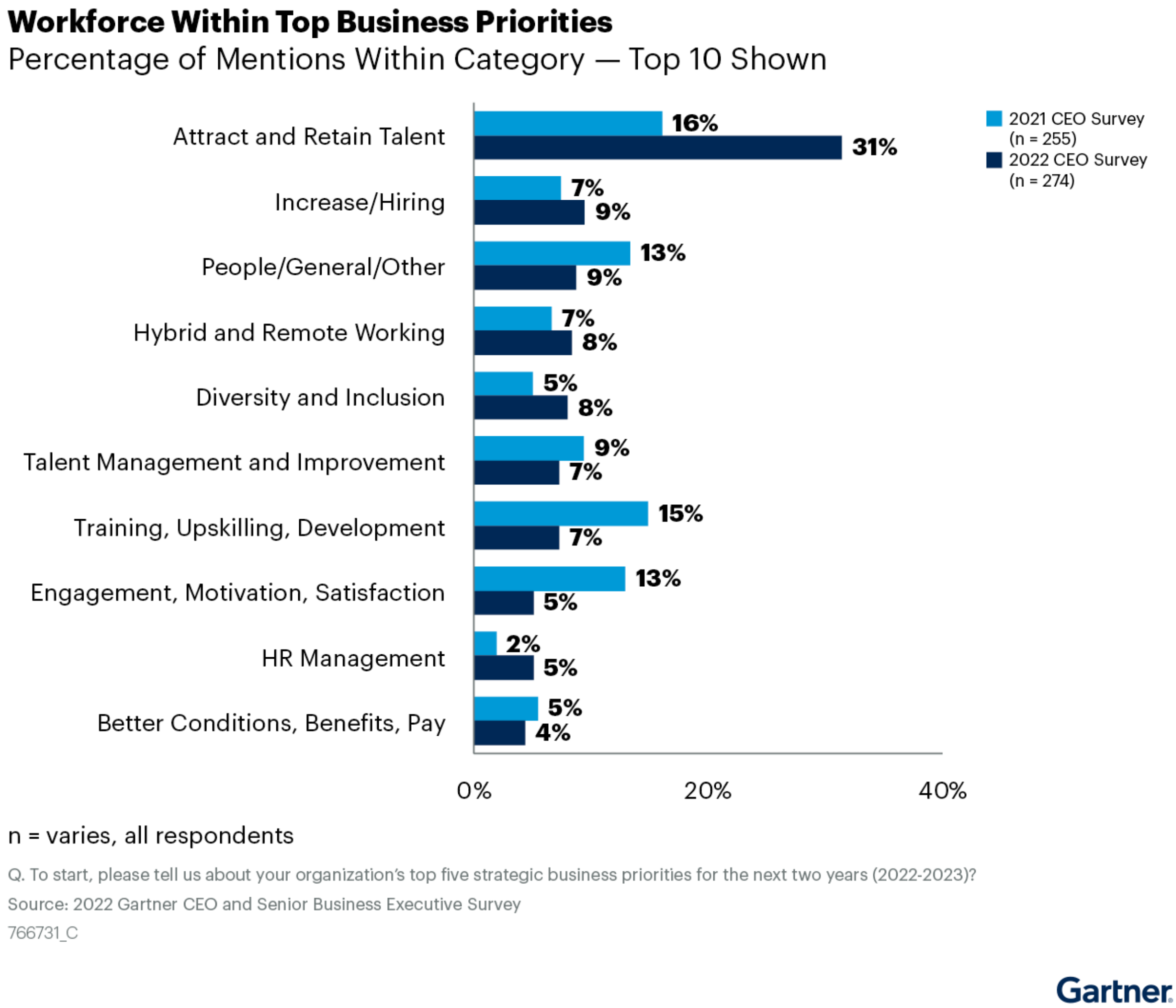
There have been periods of relative stability in IT history that have led business leaders and boards into thinking of digital and information technology as a commodity, a level playing field factor in business strategy. It happened in the early through mid-1990s (after the PC revolution but before the World Wide Web). It also happened in the early through mid-00s (after the dot-com crash). In both of those periods, business leaders and boards thought technology was fading as a source of competitive advantage. They were wrong, and it was, in fact, stealthily gathering pace in a new direction. That might happen again. For example, see 3 World-Changing Opportunities Emerged While You Were Fighting COVID-19.

This multiyear capability gap perception finding, together with the other findings, suggests another such “tech-doldrums” period is not imminent. However, if other business strategy factors become more important — such as deglobalization and environmental change — there could be a reduction of focus on digital as an initiative in its own right.

Workforce Has Risen to Become the Third Most Important Priority Area for CEOs in 2022 and 2023

Figure 7 shows that the workforce has risen again as a priority for CEOs. If we go back to the prepandemic period of 2019, it was in fifth place. Within this category, different issues were raised. The top subcategory was attracting and retaining talent, which almost doubled year over year from 8% to 15%.

Figure 7. Workforce Within Top Business Priorities



In Figure 7, we see how this change of CEO priorities is impinging on the CHRO. It shows CEOs' top focus for their CHROs in 2022. We detect a faint air of desperation in this data. There is a big push on solving general problems — with mentions of retention and hiring growing significantly. However, there is a reduction of focus on specific internal solution areas such as talent and people development, culture change and skills development. It's as if CEOs are expecting their CHROs to find more people from outside, even though talent markets are obviously stretched and thin. For many situations, shopping harder is an unrealistic approach. Instead, it would be better to double down on the internal factors that will improve short-term skills supply — while also making the employer gradually more attractive to outside talent. There is also a need for CEOs to focus more sharply on productivity as a way to reduce staff volume hiring needs — a subject we will come to later in this report.

For the First Time Ever, CEOs Place Environmental Sustainability in the Top 10 Priorities

This is a landmark finding in the history of this research. Our 2011 and prior years' survey method for the top business priorities was to offer respondents a fixed list of options. One of those was environmental sustainability, and we believe many CEOs back then picked it only because it seemed like a good PR choice. Indeed, that was our key reason for changing the survey question technique to be open answer and categorized from 2012 onward — so that we would hear only the CEO's unprompted, natural reply. When we changed to the open question in 2012, environmentalism evaporated from view. Through much of the last decade, CEOs continued to hardly mention the subject at all (see Figure 8).

Figure 8. Percentage of Respondents Mentioning Environmental Sustainability in Their Top Five Strategic Business Priorities

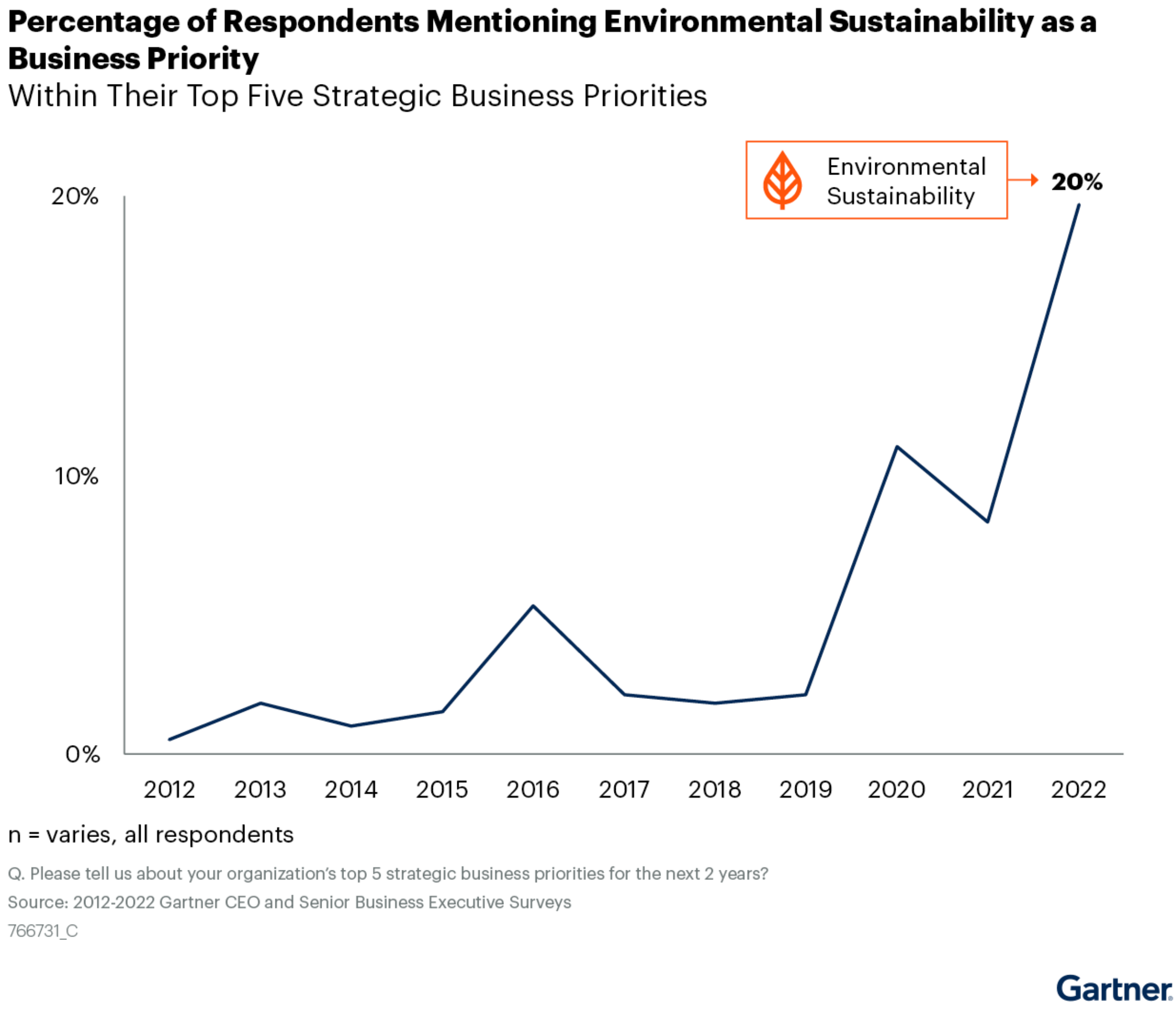


Figure 8 shows how the importance of this topic has changed over recent years. At the start, it was barely visible. There was a flurry of temporary interest in the 2016 survey, probably caused by the high visibility of the Paris COP 21 legally binding international agreement on climate change, but CEOs seemed to lose focus again quite quickly. However, we now see CEOs making environmental sustainability a core — and potentially sustained — priority.

Ukraine Invasion Observation: *Figure 8 shows that even the COVID-19 pandemic did not deflect the rising trend of CEO focus on sustainability. This is one reason we believe the Russian invasion of Ukraine will not cause CEOs to walk away from the issue again, the way perhaps they did in 2017. In relation to climate change and decarbonization in particular, there might be a midterm acceleration of the energy transition away from fossil fuel dependency. As Mark Carney, former chairman of the Bank of England, recently put it: "In the Venn diagram of (energy) security and sustainability, the overlap of those two circles is very high."* [2]

Sixty-Two Percent of CEOs See General Price Inflation as a Persistent or Long-Term Issue

Like sustainability, inflation is a big, new issue for CEOs and one where a look back at business history is relevant. Typical U.S. large-company CEOs are aged in their late fifties, [3] which means they have never in their careers experienced inflation at current levels. U.S. inflation in February 2022 was 7.9%, the highest since 1982, when most CEOs were still at college or in high school. Similar situations are arising in the other large advanced and industrialized economies.

In the first half of 2021, it was common for national central bank leaders to suggest that high inflation was a transitory effect of the pandemic and one that would quickly abate. By the end of the year, as our survey was being conducted, CEOs had already moved beyond that view. The survey is conducted in two waves, the first quarter of the sample is collected in 3Q, the remainder in 4Q. In 2Q21, 63% of respondents expected a significant rise in nonlabor input costs to their business in 2022. By 4Q21, that had risen to 74%. Inflation has been a rather-sudden-onset issue for CEOs (see Figure 9).

Figure 9. CEOs' View on the Scenario for General Price Inflation in 2022 and Beyond

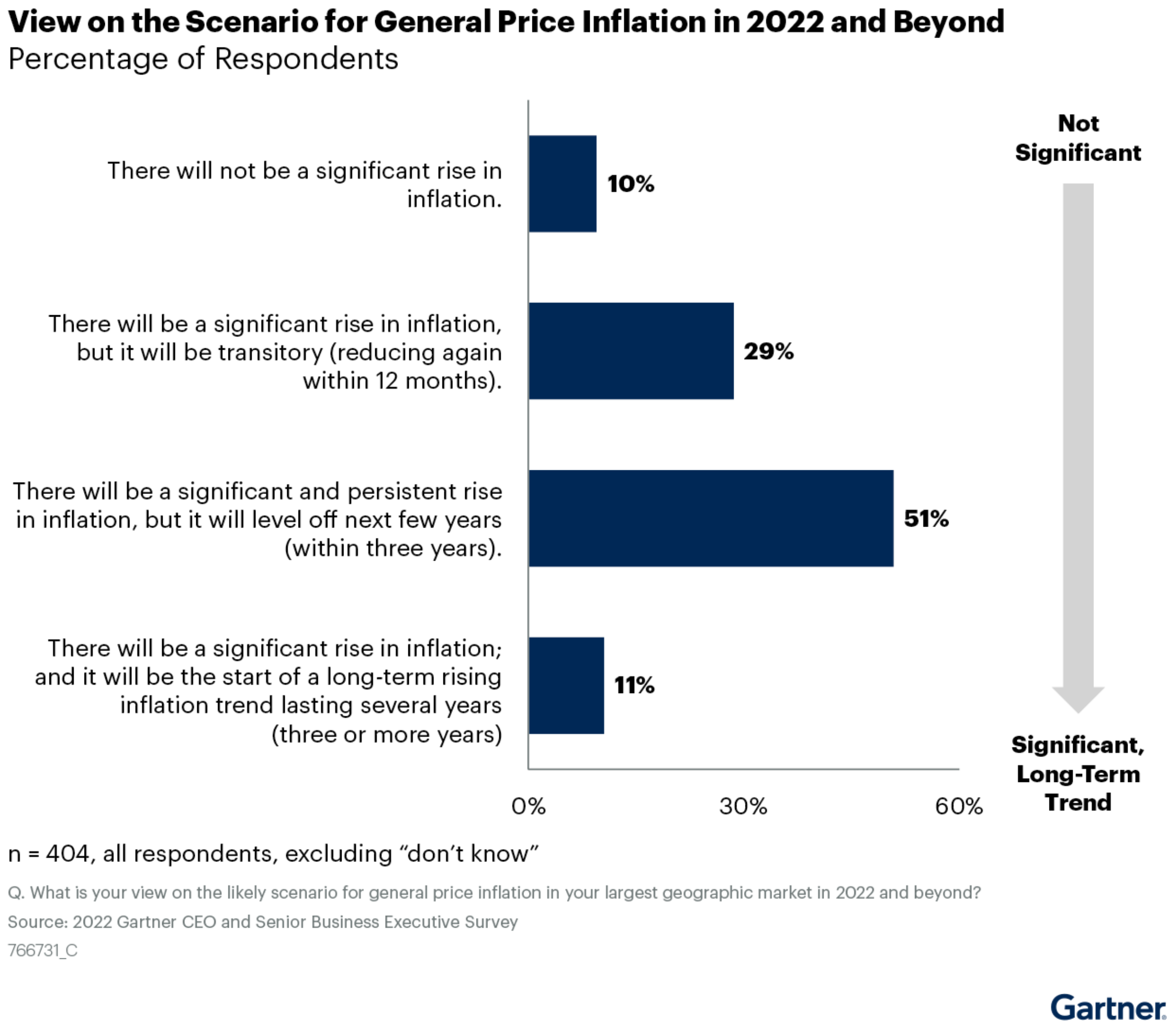


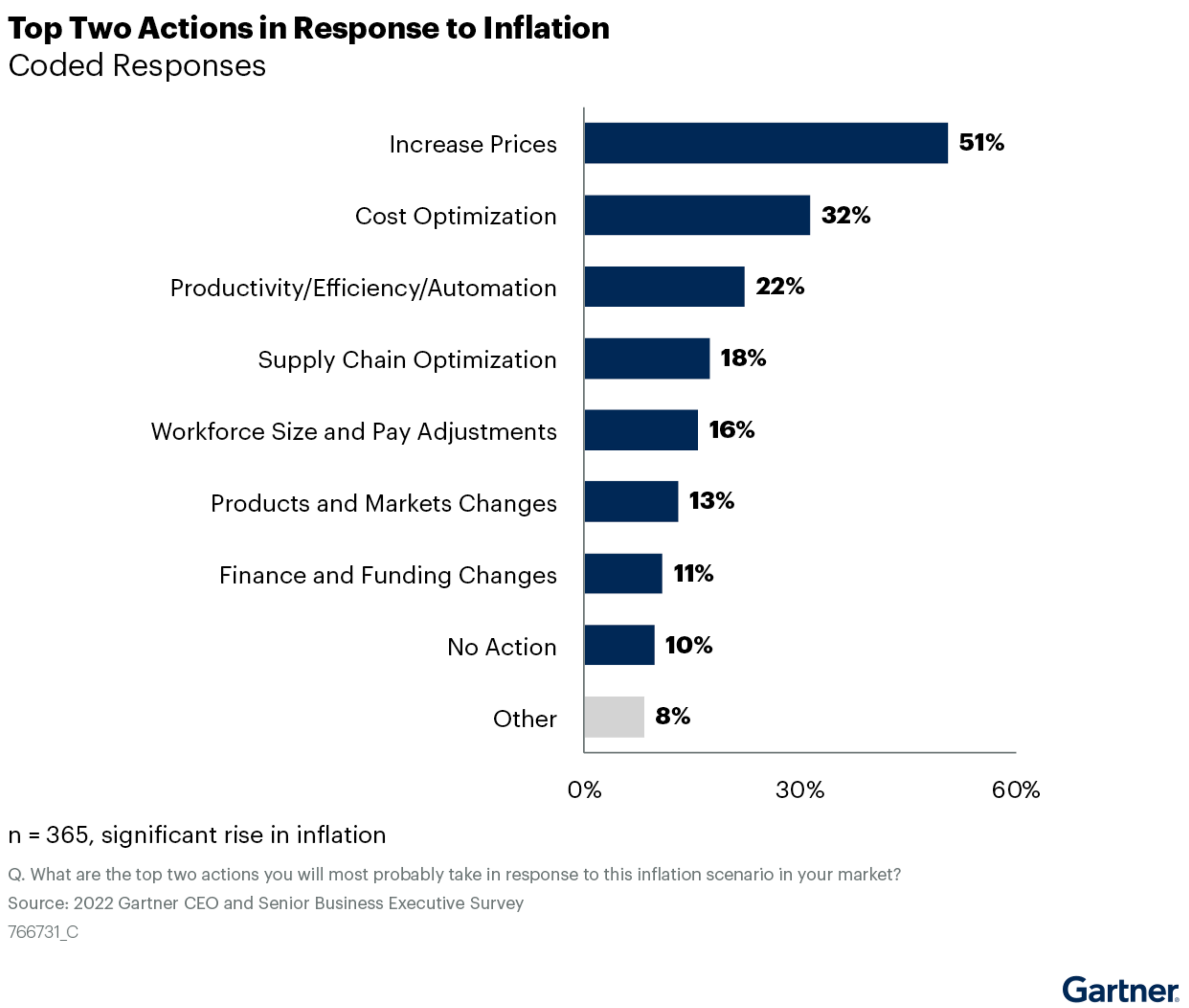
Figure 10 shows that already by 4Q21, 62% of CEOs expected inflation to be a persistent or long-term issue. Higher inflation was triggered by a combination of pandemic-induced supply chain shortages and government social expenditure to assist people through lockdowns and furloughs. Additionally, work-life attitude changes (see Figure 15) caused labor and talent challenges that CEOs partly responded to by investing more in hiring (as shown in Figure 7) — inevitably leading to wage increases.

Ukraine Invasion Observation: *Global inflation rates induced by the pandemic were already concerning. The effects of the Russian invasion of Ukraine and Western governments' economic sanctions on Russia are likely to exacerbate the situation. Oil and gas, grain, neon, and other commodity exports from the region will be disrupted, causing subsequent price increases in multiple industries from restaurants to semiconductors.*

The Top Response to Inflation Is to Raise Prices (51% of CEOs); Only 22% Mention Productivity

If inflation is a novel and rapidly rising concern for CEOs, what will be their response to it? We asked, and the results are shown in Figure 10.

Figure 10. CEOs' Responses to Inflation



Here, we see a pattern of concern. Most CEOs are thinking their response to rising information will be to simply pass costs on to their customers as prices rise. That works for the short run, but what happens after three or four rounds of price hikes? Eventually, demand destruction kicks in and, depending on the shape of the specific market price elasticity curve, total revenue can start to shrink. CEOs' second thought is toward cost optimization. However, a lot of the low-hanging fruit was probably taken during the pandemic. What concerns us most is the low showing of productivity efficiency and automation — especially as a first-choice answer.

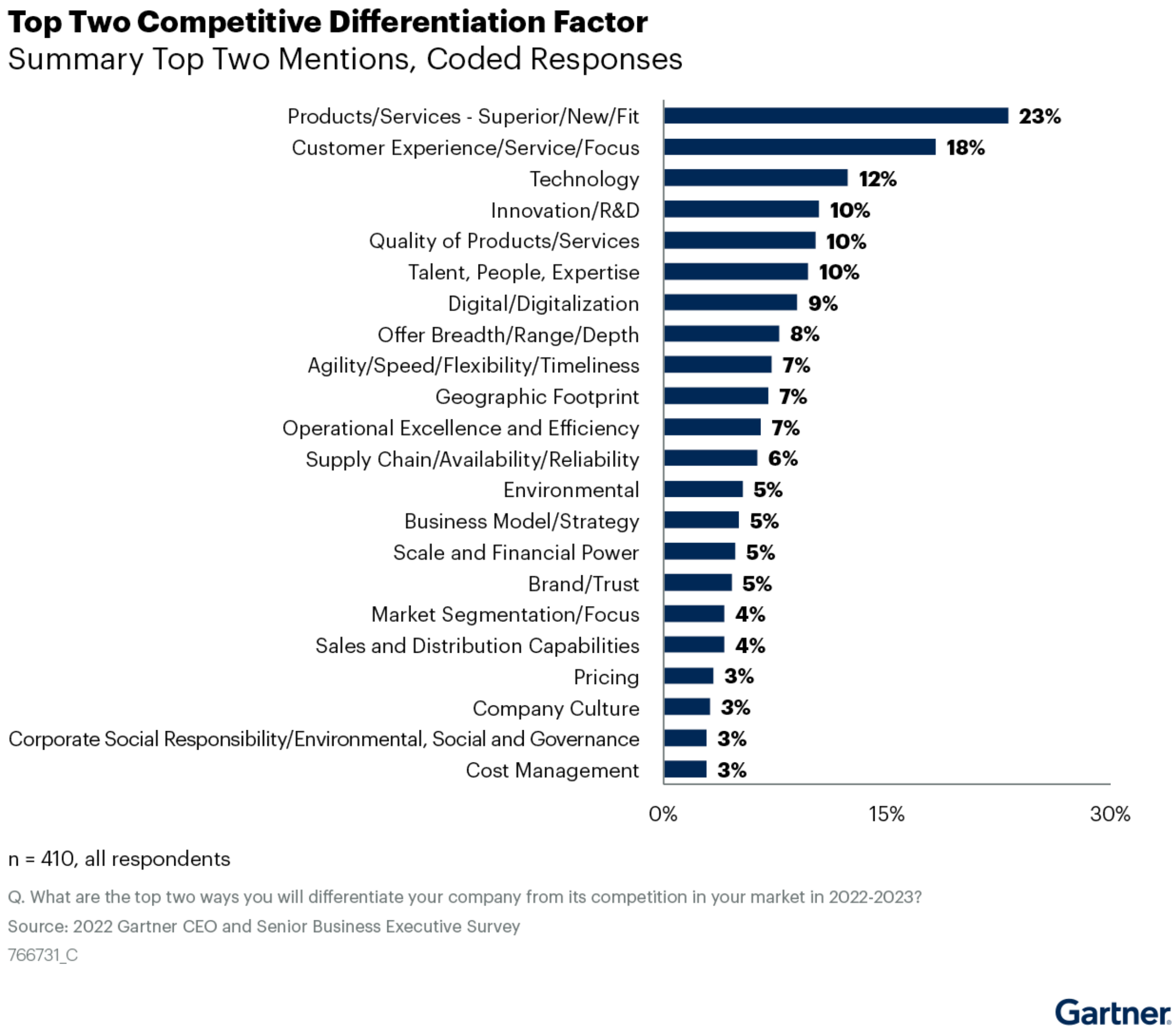
It appears to us that this generation of CEOs may need to learn quickly what their predecessors in the 1980s and 1990s knew very well. In times of protracted inflation, core productivity should become an obsession. Business leaders should be turning to their technology executives now, asking for more aggressive and radical productivity-improving solutions. Reengineering for deep gains in output per head will matter greatly if CEOs continue to face both persistent general input cost inflation, combined with talent attraction and retention problems.

However, CEOs' natural focus on productivity and efficiency is very low. It is remarkable that the topic is absent from the top 10 in Figure 1. Our 2021 survey research found that the subject is one that CEOs delegate to their COOs. That distancing is probably not going to cut it for the challenges ahead. We fear that a generation of CEOs who have mostly succeeded through top-line sales and marketing, product innovation, M&A, and financial engineering are not well-practiced at leading deep and repeated internal productivity change. This may lead some boards of directors to change the background and skill set needed in the person occupying the CEO seat. Perhaps, there will be a trend toward more COOs being promoted instead of CFOs or business unit leaders.

Superior Products and Services Is the Top Competitive Differentiator; Customer Experience Is Second

Another possible indicator of inflation impact complacency is visible in answers to a question we asked about the top two sources of competitive differentiation (see Figure 11). Only 3% of CEOs mentioned price as a competitive differentiator. We think that may change quite quickly as inflation starts to bite.

Figure 11. Top Competitive Differentiation Factors



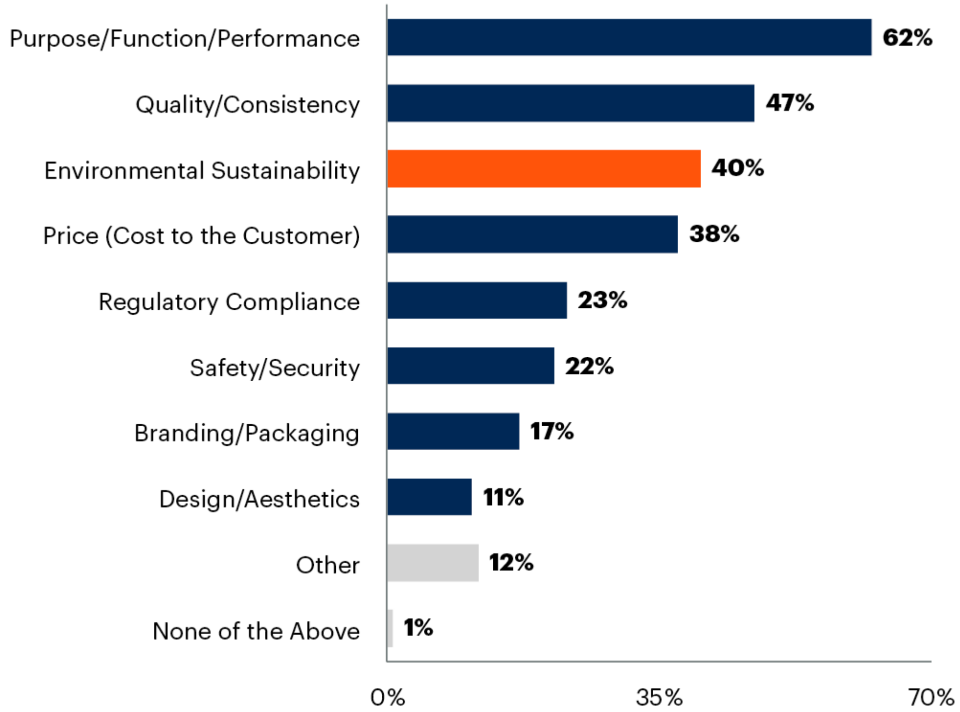
The top answers given by CEOs were product superiority and customer experience. Technology came in third. So it appears that the visibility of technology within customer value propositions is important to many business leaders. Digital is called out as a factor a few places below that. Overall, these demonstrate the importance of digital business strategic thinking that we have been seeing for the last five or more years.

Given the importance of products to competitive differentiation, it is unsurprising that 80% of CEOs told us they intend to invest in new or substantially improved products in 2022 and 2023. There are multiple factors driving their need for product update as Figure 12 shows.

Figure 12. Top Factors That Drive the Need for New or Improved Products

Top Three Factors That Drive the Need for New or Improved Products

Multiple Responses (Up to Three)



n = 245, will invest in new or substantially improved products in 2022-2023

Q. What are the top three factors that are driving the need for those new or improved products (that the current products do not quite fulfill)?

Source: 2022 Gartner CEO and Senior Business Executive Survey

766731_C

The top two items are to be expected — functional performance and general quality. However, the third item is significant. Forty percent said that environmental sustainability is a driver. Environmental also appears as a competitive differentiator in Figure 11 and, though cited by only 5%, that placed it on the same level as brand trust.

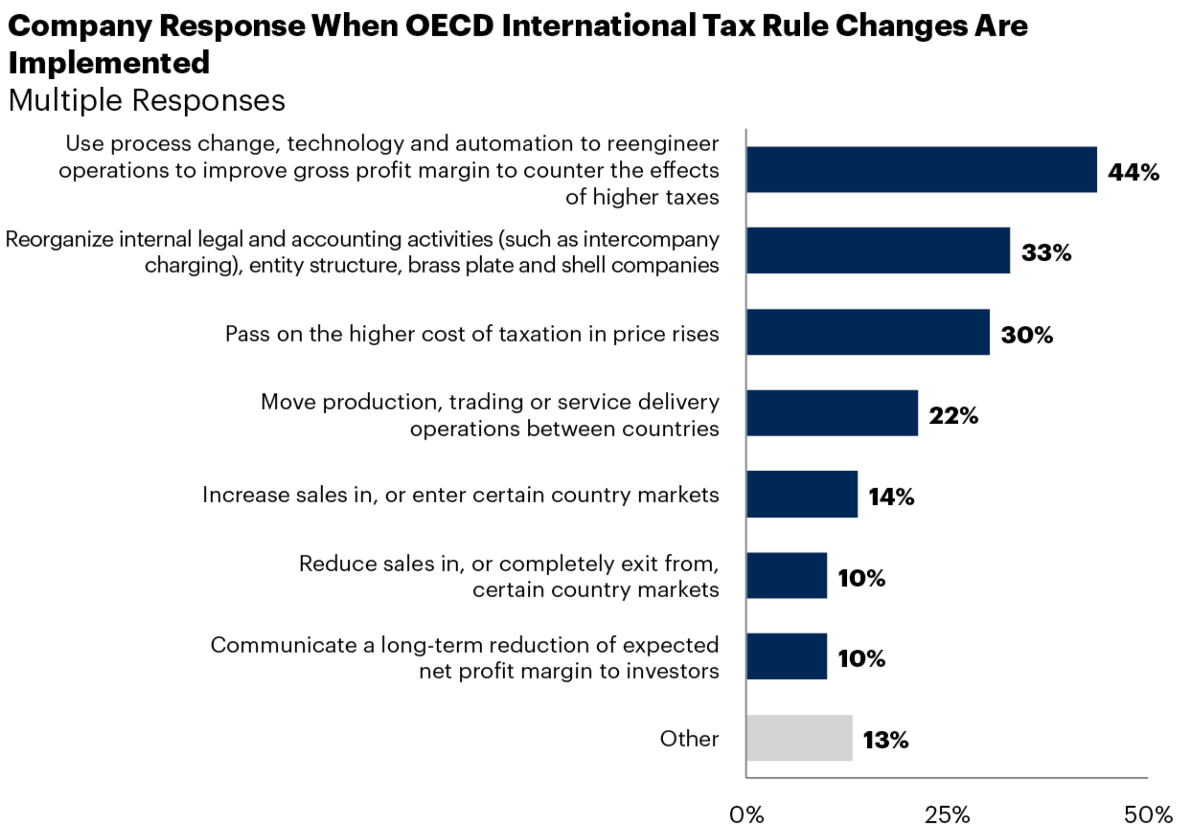
Activist Investors Are Influencing CEOs More Than OECD Corporation Tax Changes

Seventy-four percent of CEOs agreed that increasing ESG effort attracts investors toward their companies versus 26% that said it is irrelevant, pushes investors away or is not applicable. There has been a significant rise in the conversation about corporate purpose, since the 2019 assertion by the U.S. Business Roundtable [4] that profit is not the only focus. We found that only 36% of CEOs now think shareholder needs are primary, compared to 64% who say customer, employee and shareholder needs are equal. In this context, CEOs must deal with multiple actors that shape the business environment in which they can operate. However, the different kinds of actors — such as regulators and investor groups — do not all have equal power and influence.

Activist investors [5] have become more visible in recent years — promoting CSR or corporate market valuation change ideas, targeted at specific companies. The OECD has been developing changes to global minimum corporate tax rates [6] and jurisdiction rules aimed at controlling large multinational company tax avoidance schemes.

Fifty-nine percent of respondents from companies with revenue of $1 billion expect the OECD tax rules will have little, moderate or significant impact on their business. Figure 13 shows what those in that group believe they will do in response to the OECD tax changes.

Figure 13. Company Response When OECD International Tax Rule Changes Are Implemented



n = 158, new Organisation for Economic Co-operation and Development (OECD) rules and rates will be implemented, excluding "don't know"

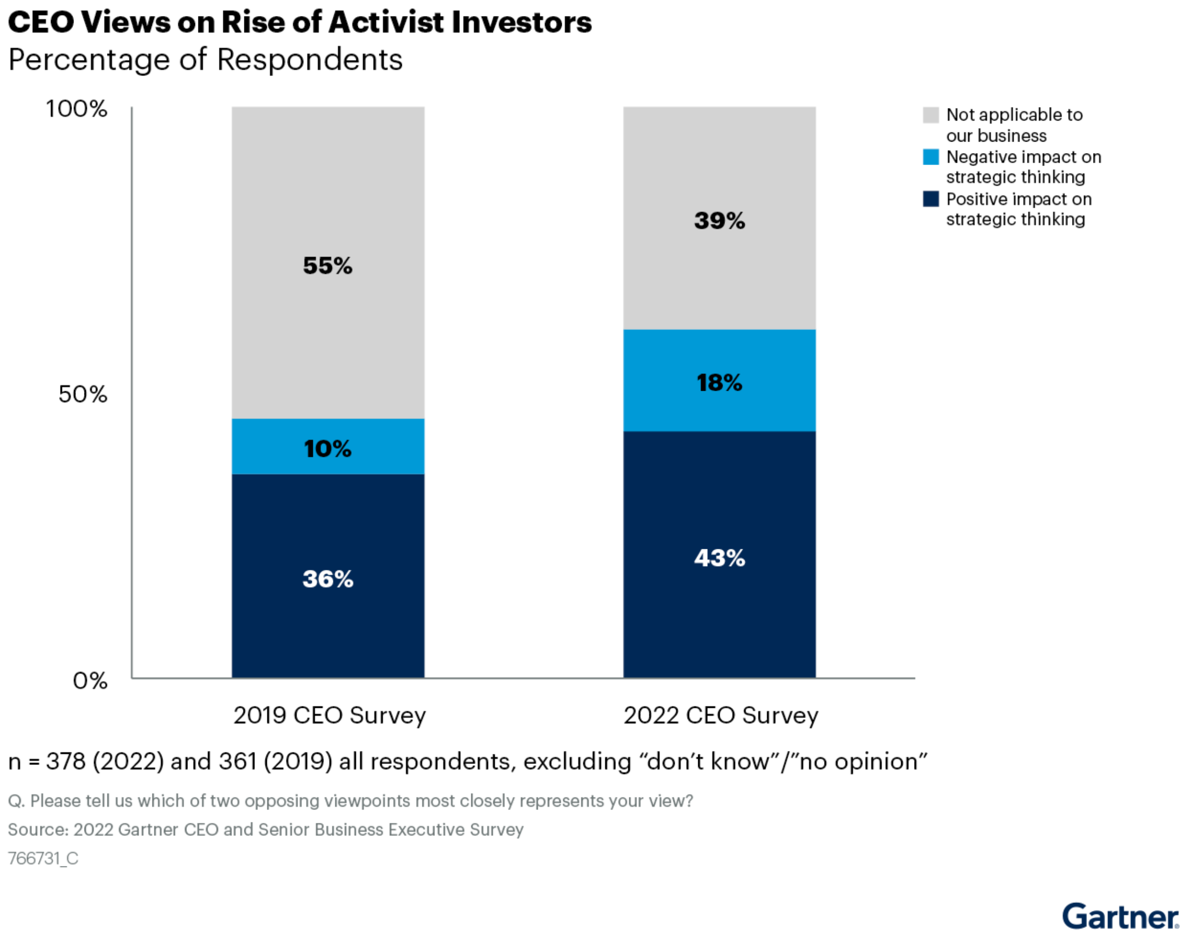
Q. When OECD international tax rule changes are implemented, how will your company need to change in response?

Source: 2022 Gartner CEO and Senior Business Executive Survey

766731_C

However, by comparison, activist investors seem to be more influential on CEO thinking. Sixty-one percent of all respondents said that activist investors impacted their strategic thinking — with 70% of those seeing the impact as positive. When we last asked this question in 2019, activist investor influence was significantly lower — as shown in Figure 14.

Figure 14. CEO Views on Rise of Activist Investors

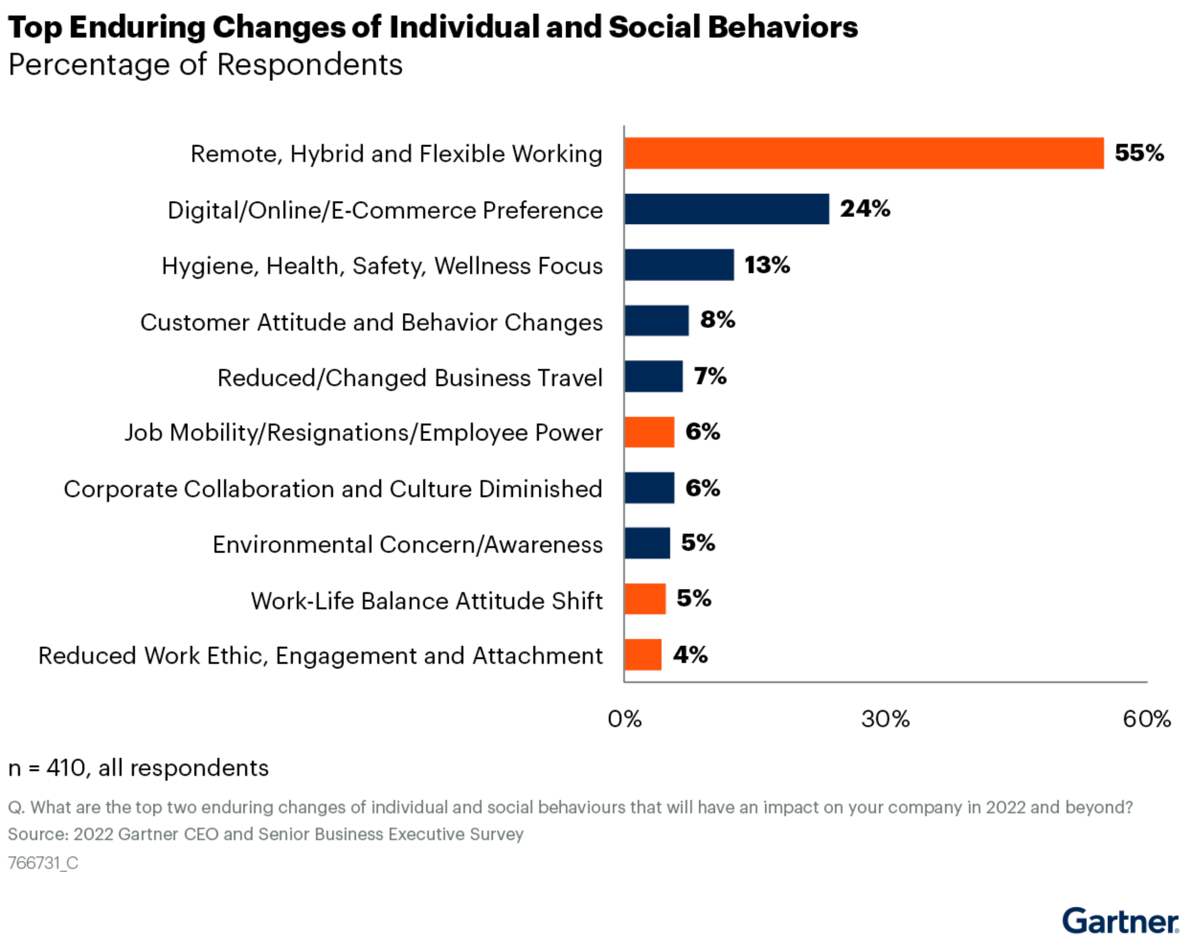


These findings suggest executive leaders should spend more of their precious business news reading time absorbing the novel themes and ideas activist investors are promoting.

Fifty-Five Percent of CEOs Say Hybrid and Remote Work Is the Biggest Postpandemic Social Behavior Change

In comparison to regulators and investors, customers and employees are more important in shaping CEO thinking on a day-to-day basis, and in normal times, we would expect customers to be the higher focus. However, the COVID-19 pandemic has brought a lot of employee-related issues to a head. We asked respondents an open question about people in general and were surprised by the result (see Figure 15). We had expected customer-related issues to dominate the thinking, but employees were the focus instead.

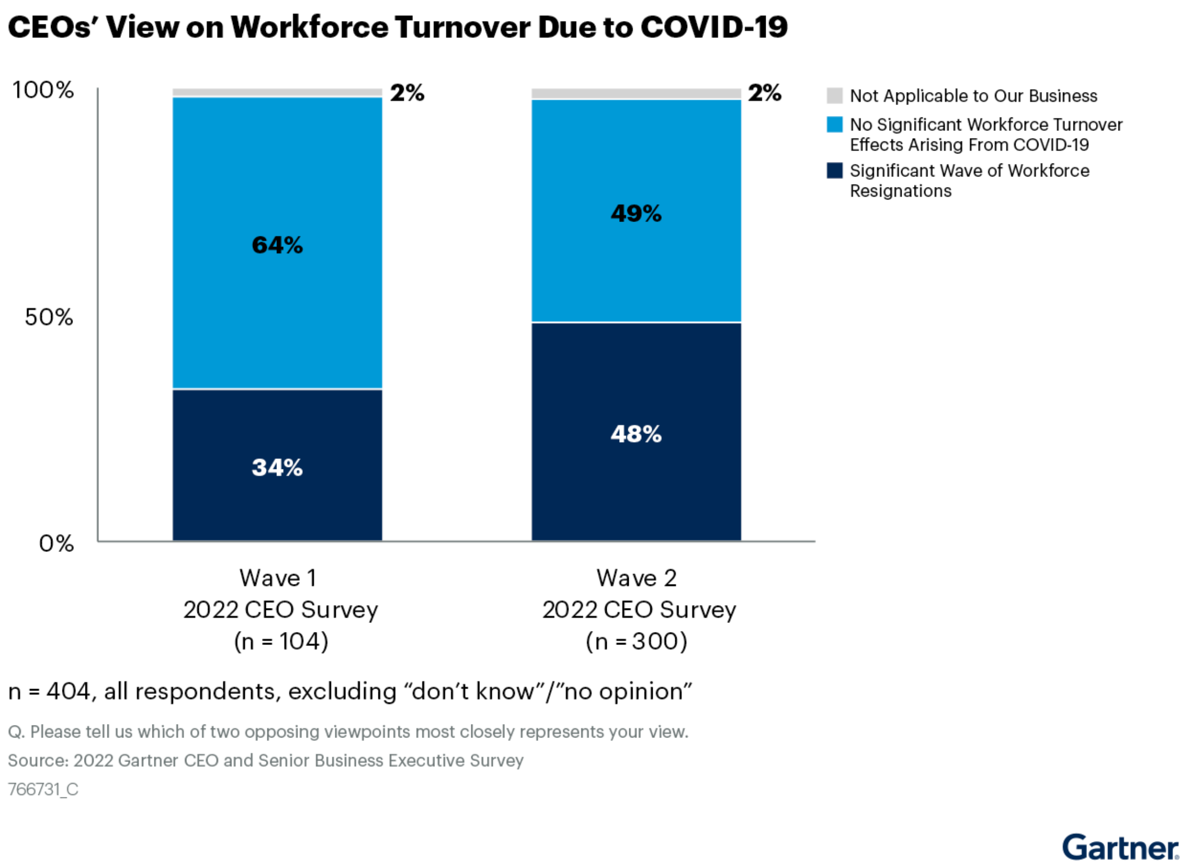
Figure 15. Top Enduring Changes of Individual and Social Behaviors



At 55%, remote and hybrid working was the top category answer, and it outweighed all the rest combined. When we add some of the other top 10 factors (highlighted in orange), employee issues seem to be dominating. Customer-related factors are slight in comparison.

Workforce concern rose substantially while our survey was operating. Figure 16 shows how workforce resignations rose as an issue between 3Q21 (Wave 1 of the survey) and 4Q21 (Wave 2).

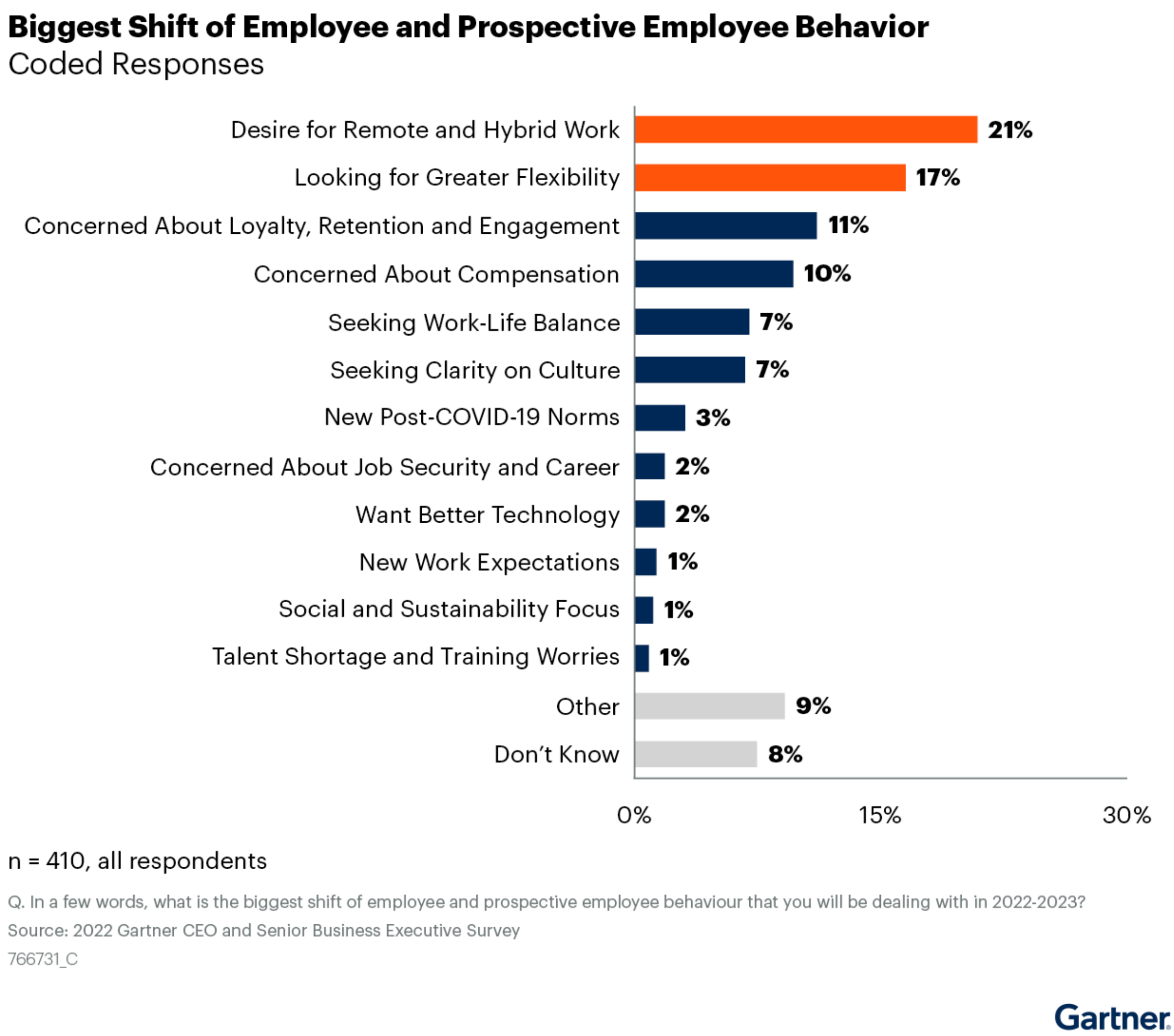
Figure 16. CEOs View on Workforce Turnover Due to COVID-19



CEOs' Top Two Hybrid Work Policy Concerns Are Culture, 27%, and Productivity, 16%

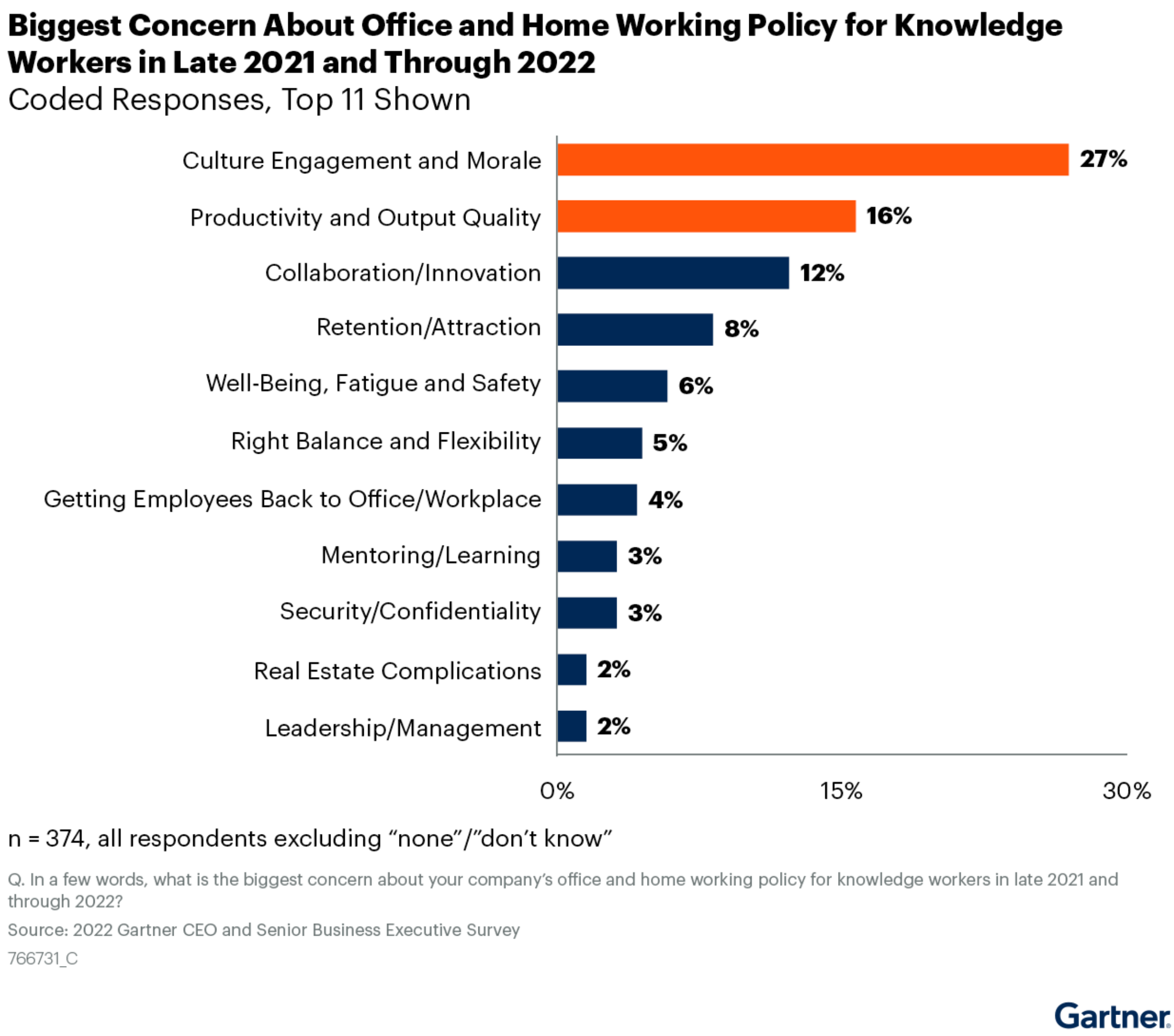
Forty-nine percent of CEOs agreed with the statement that "it is very difficult for us to find and hire the kind of people we need in our business." As a result, CEOs are being pushed into accommodating new work-life balance demands from employees, especially in the area of hybrid working. Figure 17 shows that a desire for remote and hybrid work is the top behavior shift that CEOs see in their employees.

Figure 17. Biggest Shift of Employee and Prospective Employee Behavior



But we know from our interviews that CEOs are hesitant and concerned about how this new style of working arrangement will play out in practice. It may have been a short-term necessity during the pandemic, but some are reluctant to make it a permanent feature. Figure 18 shows CEOs' biggest concerns.

Figure 18. Biggest Concern About Office and Home Working Policy for Knowledge Workers



This is another fast-moving topic. In Wave 1 of the research, conducted in 3Q21, productivity and output quality was the top result. By 4Q21, culture, engagement and morale had taken the foreground. We have the strong sense that many CEOs are dwelling on the soft and intangible aspects that help justify their intuitive disdain for this modern idea. That is why one of our top recommendations is to apply data-informed management science to this important subject.

CEOs See AI as the Most Impactful New Technology; Conversely, 63% Say Metaverse Doesn’t Matter

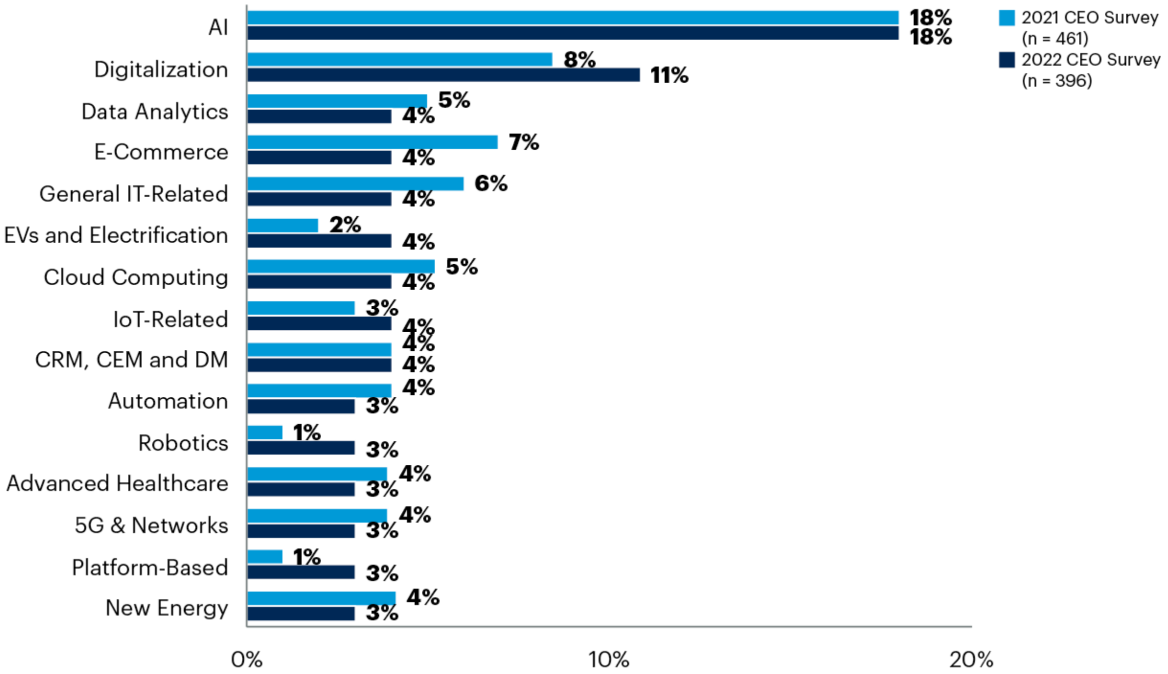
For the last three years of this survey, we have asked CEOs what new technology they believe will most significantly impact their industry over the next three years. This is an open-answer question. We think a list would be very biasing. What we want is the thing that genuinely and naturally springs to the mind of the CEO — even if the thinking is a bit fuzzy or expressed imperfectly. Note also that the answer is limited to digital and information technology — any kind of technology is allowed. Figure 19 shows the results for 2022, compared to 2021.

AI has come out top for three years in a row, and that probably isn't very surprising. But further down the list, we see some intriguing insights.

Figure 19. The New Technology CEOs Believe Will Most Significantly Impact Their Industries

The New Technology That CEOs Believe Will Most Significantly Impact Their Industries Over the Next Three Years

Coded Responses, Showing Top 15



n value varies, all respondents excluding "not applicable"/"none"/"don't know"

Q. The new technology that will most significantly impact our industry over the next three years is ...

Source: 2022 Gartner CEO and Senior Business Executive Survey

Note: AI = artificial intelligence; CEM = customer experience management; DM = document management; EV = electric vehicle. Numbers may not total 100% due to rounding.

766731_C

Gartner

The list reminds us that “new” is in the eye of the beholder. Neither digitalization nor e-commerce is very new on a relative basis. Both are a quarter-century old. Yet these are technologies that many business leaders still perceive as novel and disruptive in their situations.

Electric vehicles, and electrification more generally, is sandwiched right in between digital and information technology ideas, such as data analytics, e-commerce, IoT and cloud. That is a reminder of just how important “electrodigitalization” has become to modern economic development. Back in 2013 and 2014, Gartner defined the coming digital business era as “new business designs at the blurred boundary between the physical and the digital.” That mindset is now clearly in play.

Recognition of 5G and other network technology is visible and higher than we anticipated. Sometimes, telecom technology struggles to win CEO mind share because of its background general infrastructure nature. As a reminder, tech sector CEOs are mostly excluded from this survey — responses from nontech industries are dominant in the data.

Blockchain did get a couple of mentions but is a long way outside the top 10 shown here. That technology is clearly in the Hype Cycle Trough of Disillusionment with CEOs. This survey has a significant financial services respondent segment, making that finding even more stark. We think CEOs could be caught out in the next three to five years as blockchain makes a disruptive reentry onto the Slope of Enlightenment.

Metaverse was named by only a single respondent. There were a couple of other mentions of VR and AR. Overall, the importance of the concept is still low in CEO minds. Anticipating that result, we asked a specific simple bipolar question about it: Do you think metaverse is very likely or very unlikely to be a key technology for the development of your business? Usually we do not provide a definition of a term, preferring to elicit the respondent’s own understanding. But in this case, it was needed — so we explained metaverse as: An immersive virtual reality, online, computer-generated world where people interact, in place of their physical reality. That explanation predated Gartner’s official and more complete definition. [7]

Figure 20 shows that the majority of CEOs see metaverse as either not applicable or very unlikely to be a key technology for their business. The history of this survey has taught us that CEOs are highly decisive and can be relied upon for a viewpoint even on very new ideas. It is key to their job role to make the hard judgment calls on situations with incomplete information. However, we have also noticed in the past that CEOs tend to lean in toward new technology ideas, perhaps a little too enthusiastically. With that in mind, we doubt the 37% are as confident as they appear to be. Only time will tell.

Figure 20. CEOs' View on Metaverse

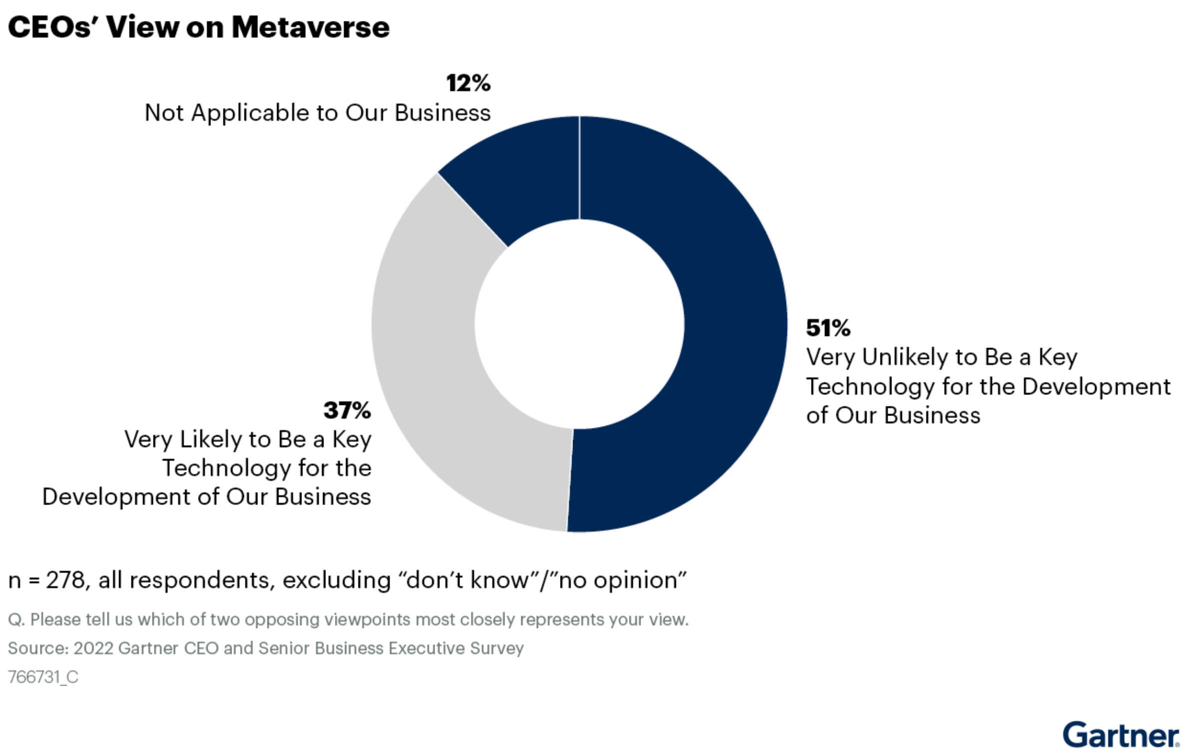


Figure 20 shows that the majority of CEOs see metaverse as either not applicable or very unlikely to be a key technology for their business. The history of this survey has taught us that CEOs are highly decisive and can be relied upon for a viewpoint even on very new ideas. It is key to their job role to make the hard judgment calls on situations with incomplete information. However, we have also noticed in the past that CEOs tend to lean in toward new technology ideas, perhaps a little too enthusiastically. With that in mind, we doubt the 37% are as confident as they appear to be. Only time will tell.

Conclusion

The pandemic brought a lot of deep societal trends to the surface — such as a desire to change the way we work and the fragility of long-distance global supply chains. The Russian invasion of Ukraine will amplify macroeconomic factors that CEOs must deal with — such as inflation. This year's research has revealed unusually large shifts in CEO thinking, such as the reassessment of environmental sustainability as a "must do" for many. 2022 truly is the year that CEO perspectives changed.

If there is a subject of importance that you think we should test with CEOs in the next survey, please let us know. Email: mark.raskino@gartner.com and include "CEO Survey" in the title.

Evidence

[1] **2022 Gartner CEO and Senior Business Executive Survey:** This survey was conducted to examine CEO and senior business executive views on current business issues, as well as some areas of technology agenda impact. The survey was conducted from July 2021 through December 2021, with questions about the period from 2021 through 2023. One-quarter of the survey sample was collected in July and August 2021, and three-quarters was collected in October through December 2021. In total, 410 actively employed CEOs, and other senior executive business leaders qualified and participated. The research was collected via 382 online surveys and 28 telephone interviews. The sample mix by role was CEOs (n = 253); CFOs (n = 88); COOs or other C-level executives (n = 19); and chairs, presidents or board directors (n = 50). The sample mix by location was North America (n = 176); Europe (n = 97); Asia/Pacific (n = 86); Latin America (n = 40); the Middle East (n = 4); and South Africa (n = 7). The sample mix by size was $50 million to less than $250 million (n = 58); $250 million to less than $1 billion (n = 81); $1 billion to less than $10 billion (n = 212); and $10 billion or more (n = 59). The survey was developed collaboratively by a team of Gartner analysts and Gartner's Research Data, Analytics and Tools team. Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.

[2] Mark Carney on AGL, the Carbon Transition and Ukraine's Impact, Financial Review. (Paid subscription required.)

[3] CEO Succession Practices in the Russell 3000 and S&P 500, Harvard Law School Forum on Corporate Governance.

[4] How CEOs Put Principles Into Practice, Business Roundtable.

[5] Activist Investor, Investopedia.

[6] OECD Releases Detailed Technical Guidance on the Pillar Two Model Rules for 15% Global Minimum Tax, OECD.

[7] What Is a Metaverse?

Document Revision History

2021 Gartner CEO Survey: The Year of Rebuilding - 15 April 2021

Recommended by the Authors

Some documents may not be available as part of your current Gartner subscription.

CEO Digital Business Key Actions for 2022