

boyden

Strengthening the human-centric core of Industry 5.0

How can organisations thrive in a complex world of risk?

REGIONAL ANALYSIS: EUROPE



Executive Summary

In this regional analysis of Boyden's global report, Strengthening the human-centric core of Industry 5.0: How can organisations thrive in a complex world of risk?, we highlight findings and trends in Europe with sector insight from Boyden partners.

Findings show European respondents are well placed to succeed through Industry 5.0¹, benefiting from, in comparison to other regions:

- A stronger focus on strengthening tech/cloud/cybersecurity and digital skills in 2022, consistent with 2021 findings
- Greater investment in leadership development of high potentials in 2022
- Exceptionally high confidence in the tech sector, with respondents 94% very confident or confident about their organisation's growth potential

Digital advances are the top driver of structural change within European organisations, identified by 43% of respondents, compared with third driver in the global average. In terms of cultural shifts, **innovation** is one of the top two drivers in Europe,

after organisational agility, identified by 40% of respondents, compared with for example, 25% in North America.

European respondents are the second most confident in their organisation's **growth potential**, with 80% very confident or confident; this compares with 59% in North America, 65% in Asia/Pacific, and 85% in South America where a higher proportion, 50% of all respondents, are very confident.

The top three drivers of growth are the same as the global average, (i) innovation; (ii) digital transformation and (iii) human capital, with digital transformation ranking higher than human capital in Europe.

However, risks are high. At the organisational level, the most pressing internal risks are 'staying on top of digital transformation,' 'cybersecurity,' 'supply chain resilience' and 'rising business costs'. From an external perspective, European and Asia/Pacific respondents are significantly more concerned about 'geopolitical risk' than others. Europeans are also particularly concerned about 'supply chain disruption,' and together with South America and Asia/Pacific, are more concerned about 'global economic volatility'.

¹ The Fifth Industrial Revolution, also known as Industry 5.0, is a new phase of industrialisation, whereby humans work alongside advanced technologies and AI-powered robots to enhance processes within the workplace. Source: The Manufacturer. Source: <https://www.themanufacturer.com/articles/the-innovation-behind-the-industrial-revolution/>

Sector Insights

Consumer & Retail: Human capital is the top driver of growth, and 70% are 'extremely likely or likely' to increase hiring into 2023. **Marketing & sales** is the top priority for strengthening executive expertise, while at board level it is **ESG-DE&I**. Digital advances are the top driver of structural change; organisational agility the top driver of cultural shifts.

Together with industrial, this sector is the most concerned about supply chains: the top internal risk is supply chain resilience, while the top external risk is supply chain disruption. In common with industrial and healthcare & life sciences peers, driving change is the most valuable soft skill for leaders.

Financial services: The top driver of growth is **digital transformation**, while **digital advances** are the top driver of structural change, together with industry transformation and global growth. This sector will make a greater investment than any other in **leadership development of high potentials**, with 93% extremely likely or likely to do so; also, the most likely to conduct board assessments, with 38% extremely likely or likely to do so. The most likely sector to increase its engagement of **interim managers**.

Cybersecurity and hybrid working are joint top internal risks. Externally, top concerns around geopolitical risk and inflation are shared with other sectors. The most valuable soft skills for leaders are the abilities to influence and to lead hybrid teams.

Healthcare & life sciences: Digital transformation is the top driver of growth, **innovation** is the top driver of cultural shift and **industry transformation** is the top driver of structural change. One of the top sectors to increase hiring into 2023, with a need to strengthen executive expertise in **ESG-sustainability**, and at board level, **risk/ legal/compliance skills**.

Geopolitical risk and global economic volatility are the top external risks, while effective internal communication is the top internal risk. The most valuable soft skill for leaders is the ability to drive change.

Industrial: Innovation is the top driver of growth, with industry transformation the top driver of structural change. **Organisational agility** is the top driver of cultural shifts.

Together with consumer peers, industrial respondents are the most concerned about supply chains; supply chain disruption is the top external risk, while supply chain resilience is the top internal risk. One of the top sectors to invest in hiring, it is the most likely to hire globally-focused executives. Distinctive in identifying ESG-DE&I for strengthening skills at executive level. The most valuable soft skill is the ability to drive change.

Professional services: Drivers of growth are **innovation** and **human capital**. Distinctive in identifying **competing for the right talent** as the top driver of structural change. The top driver of cultural shift is **innovation**, and uniquely, **multi-generation teams**. Needs to strengthen executive expertise in **R&D**, and at board level, expertise in **finance**. The most concerned about recruitment challenges through 2023.

Global economic volatility and geopolitical risk are the top external risks; staying on top of digital transformation is the top internal risk. The most valuable soft skill is the ability to inspire teams.

Technology: Top driver of growth is **digital transformation**, while the top drivers of structural change are jointly **digital advances** and **hybrid working**. Uniquely, respondents identify **customer needs** as the top driver of cultural shifts. The most likely to retrain or redeploy executives and hire more diverse talent. Greater expertise in **finance** is needed at executive level, **supply chain** skills at board level. The most concerned about retention challenges through 2023.

Top external risks are jointly geopolitical risk, industry competition and national economic volatility; the top internal risks are jointly rising employee costs and employee burnout. The most valuable soft skill is digital & innovation savvy.

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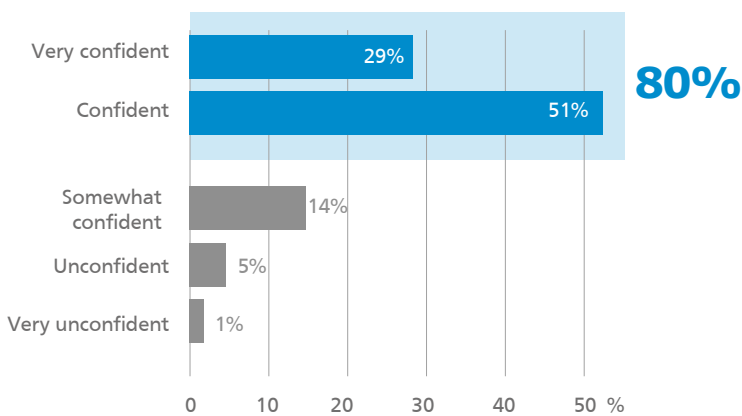
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Strengthening board talent

A barometer on confidence

From a purely organisational point of view, the vast majority of respondents in Europe, 80%, are very confident/confident in their organisation's growth potential through 2023, an increase on the 2021 figure of 75%.

Confidence in organizational growth potential




This confidence reflects resilience built up during peak covid years and a stronger, more trusting relationship between leaders and their teams. However, when we put this into the context of external risks, particularly the economic environment of Q4 2022, it is worth noting concerns over geopolitical risk, supply chain disruption, global economic volatility and inflation. Given ongoing external challenges, growth is firmly focused on innovation, digital transformation and human capital; less so on international expansion, regional expansion, new markets and capital expenditure. Confidence comes from within.

Respondents in **technology** are particularly bullish, with **94% very confident/ confident** in their organisation's growth potential, with growth driven by digital transformation. The highest proportion of respondents feeling **very confident**, 38%, is in the **industrial** sector, with growth driven by innovation.

Technology	94%
Professional Services	82%
Financial services	79%
Industrial	79%
Consumer & retail	77%
Healthcare & life sciences	77%





Despite the economic and geopolitical headwinds, it is no surprise that the technology sector continues to remain confident; customer demand is strong and there is still plenty of investor appetite. While some areas of technology may face a challenging 2023 there will be pockets of the sector that continue to thrive.

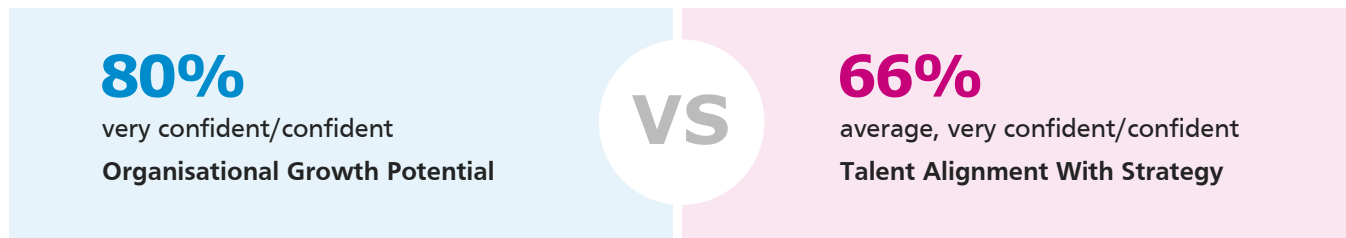
- MARK SODEN, BOYDEN U.K.

The industrial sector is very confident in organisational growth potential with growth driven by innovation, especially digital transformation. Much progress has been made in the past twelve to eighteen months, especially in Europe, by hiring into tech and digital roles and investing in leadership development. Yet still growth potential is not matched by confidence in having the right talent in the company; it's important this journey continues.

- HELGA KAYSER-DÖRR, BOYDEN GERMANY

Talent aligned to strategy

Confidence in organisational growth potential is not matched by confidence in having the [right talent to align with strategy](#), although much progress has been made over the last 12-18 months.







This year we look at talent confidence across three distinct areas: (i) overall workforce; (ii) leadership team; and (iii) the board.

The average confidence level across these three areas is 66%, significantly higher than overall talent confidence of 42% in 2021. This could be attributed to investments made in leadership development of high potentials and hiring new executive talent over the last 12-18 months. In our 2021 talent study, European respondents revealed a stronger focus than the global average on hiring into tech and digital roles (AI, robotics, machine learning).

Findings show that confidence rises with seniority, and across all three areas is higher in Europe than the global average:

Confidence in having the right talent aligned with strategy	Confidence in overall workforce	Confidence in leadership team	Confidence in the board
Europe	<p>61% Very confident/confident</p>	<p>68% Very confident/confident</p>	<p>69% Very confident/confident</p>
Global average	<p>55% very confident/confident</p>	<p>60% very confident/confident</p>	<p>62% very confident/confident</p>



Organisations have a conflicting approach to leadership: they are confident, and at the same time concerned about the future, and the consequences of both structural and conjunctural elements. Structural, given the blatant talent war that is becoming fiercer around key skills and competencies; and conjunctural concerns, with growing anxiety about energy, material supply and for some, a disconnect with the workforce.

- CAROLINE GOLENKO, BOYDEN FRANCE

Growth Outlook

02

With such high confidence levels, where will growth come from?

In Europe, 41% identify **innovation** and **digital transformation** jointly as the top drivers of growth over the next two years; 34% cite **human capital** as the third driver. These three drivers are in keeping with the global average, although Europe places more emphasis on digital transformation than human capital.

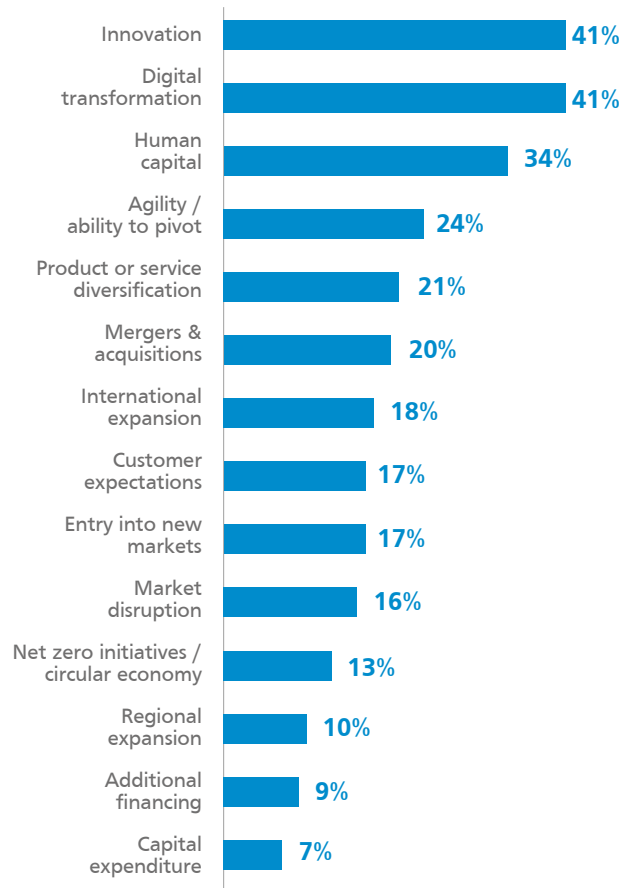
41% 01
INNOVATION

41% 02
DIGITAL TRANSFORMATION

34% 03
HUMAN CAPITAL

M&A and **international expansion** feature more in Europe than in the global average and are expected to drive growth more than customer expectations. **Net zero initiatives** feature more highly, with 13% in Europe compared with 7% of all respondents who identify this as one of their organisation's top three drivers of growth over the next two years.

Organisational growth drivers



The top growth driver by sector is:

Consumer & retail	Human capital
Financial services	Digital transformation
Healthcare & life sciences	Digital transformation
Industrial	Innovation
Professional services	Innovation
Technology	Digital transformation

Risks and challenges

External risks and challenges

In order to understand shifts in strategy and objectives, we explore the risks and challenges leaders are factoring into their decisions. The top three external risks are more potent in Europe, identified as:

47% 01
GEOPOLITICAL RISK

43% 02
SUPPLY CHAIN
DISRUPTION

33% 03
GLOBAL ECONOMIC
VOLATILITY

External risks and challenges

- 47% Geopolitical risk
- 43% Supply chain disruption
- 33% Global economic volatility
- 33% Inflation
- 20% Energy security
- 20% COVID variants/other viruses
- 19% National economic volatility
- 19% Lack of local executive talent
- 18% Climate change
- 14% Industry competition
- 14% Change in consumer habits
- 10% Industry disruption
- 8% Export/import tariffs



The top external risk by job function is:

Board	Geopolitical risk
President/CEO	Supply chain disruption
MD/Country Head/SVP	Supply chain disruption
HR Leader	Geopolitical risk = supply chain disruption

The top external risk by sector is:

Consumer & retail	Supply chain disruption
Financial services	Geopolitical risk
Healthcare & life sciences	Geopolitical risk
Industrial	Supply chain disruption
Professional services	Global economic volatility
Technology	Geopolitical risk

Beyond the top external risk, different sectors have specific concerns:

<p>Financial services is concerned by covid variants/ other viruses</p> 	<p>Professional services is concerned by lack of local talent</p> 	<p>Technology is concerned by industry competition</p> 
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Europeans are more concerned than their global peers about energy security, and less concerned about industry disruption.

Internal risks and challenges

From an internal perspective, the top risks and challenges are:

30% 01
STAYING ON TOP OF
DIGITAL TRANSFORMATION

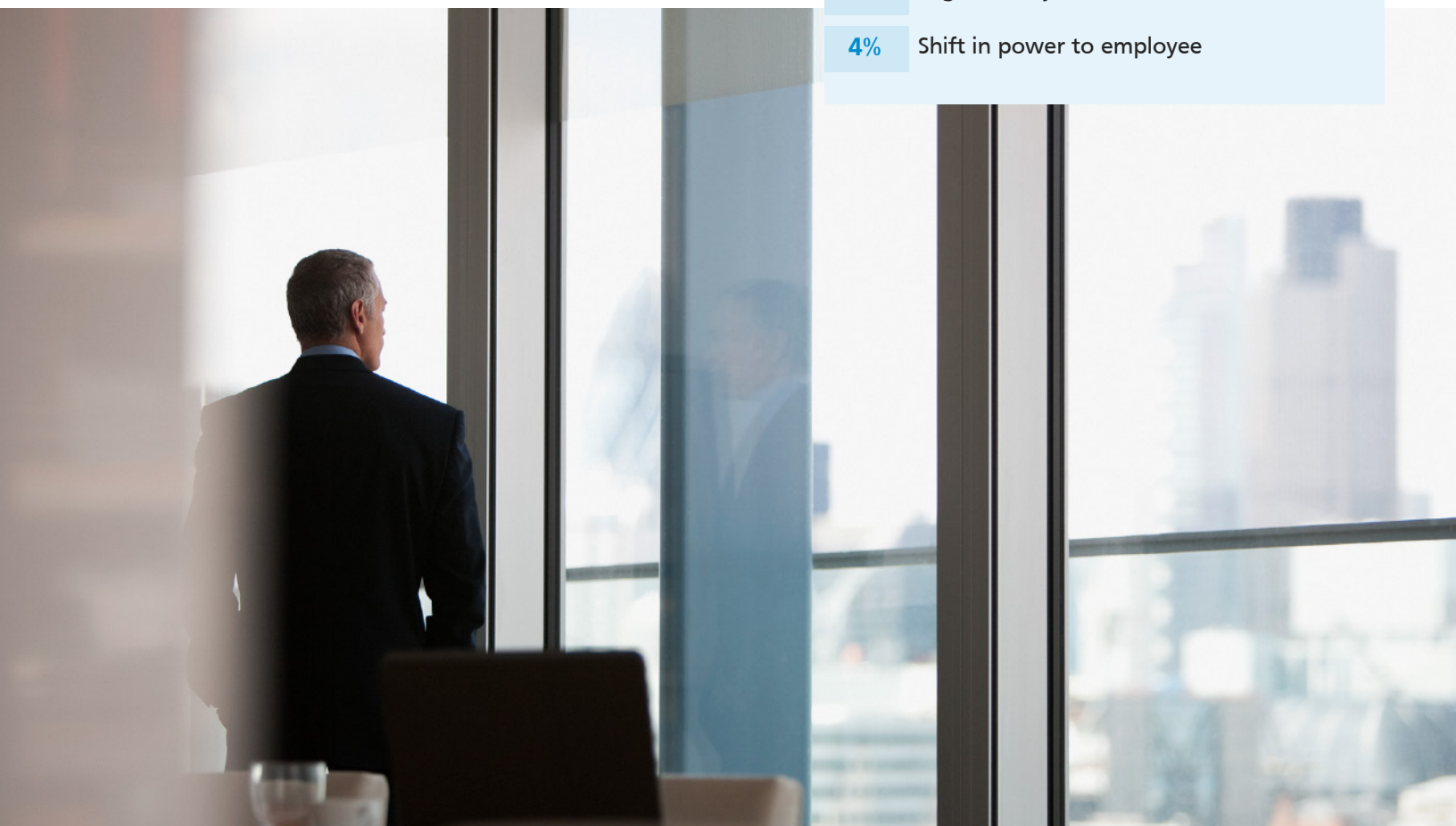
28% 02
CYBERSECURITY =
RISING BUSINESS COSTS

27% 03
SUPPLY CHAIN
RESILIENCE

European respondents show a 'bigger picture' approach to internal risks, concentrating less on people and more on digital issues, reflecting the focus on innovation and digital transformation. Supply chain resilience is a major concern, heavily disrupted by the pandemic and then developments in Ukraine.

Internal risks and challenges

- 30% Staying on top of digital transformation
- 28% Cyber security
- 28% Rising business costs
- 27% Supply chain resilience
- 25% Need for different executive skill sets
- 21% Effective internal communication
- 18% Lack of innovation
- 17% Rising employee costs
- 17% Employee burnout
- 15% Hybrid working
- 15% Weak leadership team
- 13% Legacy business model
- 11% Staying current on digital advances
- 8% The 'great resignation'
- 6% Legal liability
- 4% Shift in power to employee



The top internal risk by sector is:

Consumer & retail	Supply chain resilience
Financial services	Cybersecurity
Healthcare & life sciences	Effectiveness of internal communications
Industrial	Supply chain resilience
Professional services	Staying on top of digital transformation
Technology	Rising employee costs

The top internal risk by job function is:

Board	Rising business costs
President/CEO	Cybersecurity
MD/Country Head/SVP	Staying on top of digital transformation
HR Leader	=Need for different executive skill sets
	=Supply chain resilience
	=Effective internal communications

Discrepancies by job function reveal:

Board members are more concerned about rising business costs at 50%, compared with 30% of President/CEOs



Nearly a third, 31% of MD/Country Head/SVP see a weak leadership team as a top three risk, compared with 16% of CEOs and 13% of board members



Drivers of structural change

The top three drivers of structural change confirm momentum in Industry 5.0:

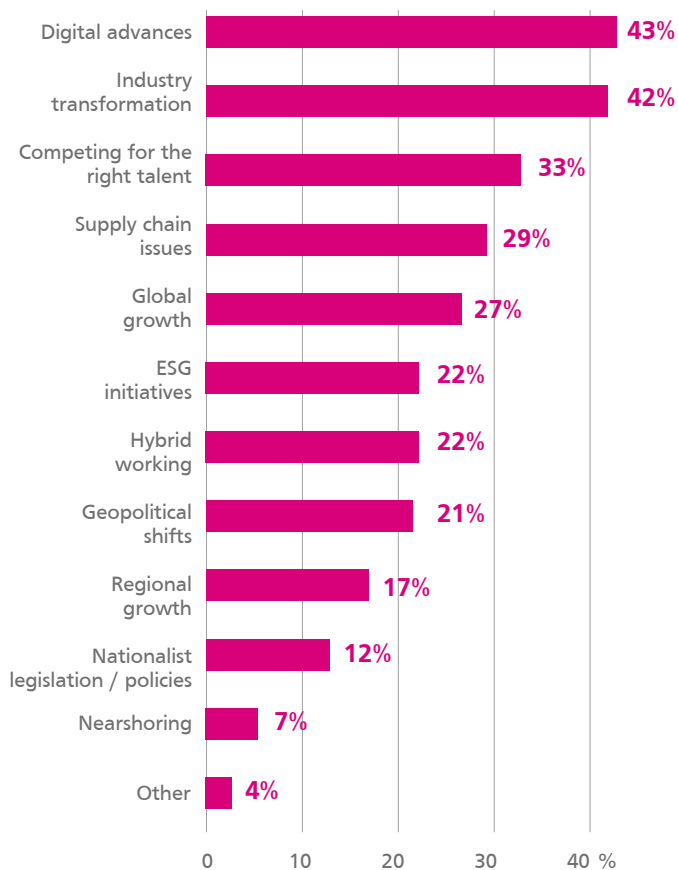
43% 01 DIGITAL ADVANCES

42% 02 INDUSTRY TRANSFORMATION

33% 03 COMPETING FOR THE RIGHT TALENT

There is a greater global consensus on the drivers of structural change than there is around risk. Digital advances are the top driver for Europeans, perhaps not surprising given their consistent focus on tech and digital areas.

Structural change drivers



The top driver of structural change by sector is:

Consumer & retail	Digital advances
Financial services	Digital advances
Healthcare & life sciences	Industry transformation
Industrial	Industry transformation
Professional services	Competing for the right talent
Technology	Digital advances, hybrid working

Global growth is cited in the top three drivers for **financial** and **professional services** while hybrid working, widespread across all industries, is actively driving structural change in technology.

The professional services sector in Europe faces the same major challenges, risks and megatrends as the majority of European companies and the most important economic sectors in Germany. Losing touch with digitisation is seen as one of the most important risks. Therefore, having the right people for this task and for driving their own innovation is a top competitive factor and a key challenge for professional services firms.

- JÖRG KASTEN, BOYDEN GERMANY

It is perhaps not surprising that innovation is highlighted as a key driver for growth, particularly in pharma, medtech and biotech where innovation is their life blood. Biotech has been squeezed by markedly reduced valuations and needs to prevail to ensure the next generation of therapies is realised.

- NICK BELLWOOD, BOYDEN U.K.

It is no surprise that European respondents in industry consider risks related to geopolitics, supply chain disruption and economic volatility more significant than respondents in other parts of the world. European industry is also concerned about energy security and climate change. On the positive side, net zero initiatives are seen as major growth drivers particularly in Europe.

- JAN GUSTAFSSON, BOYDEN FINLAND

Talent Landscape

03

Investment priorities

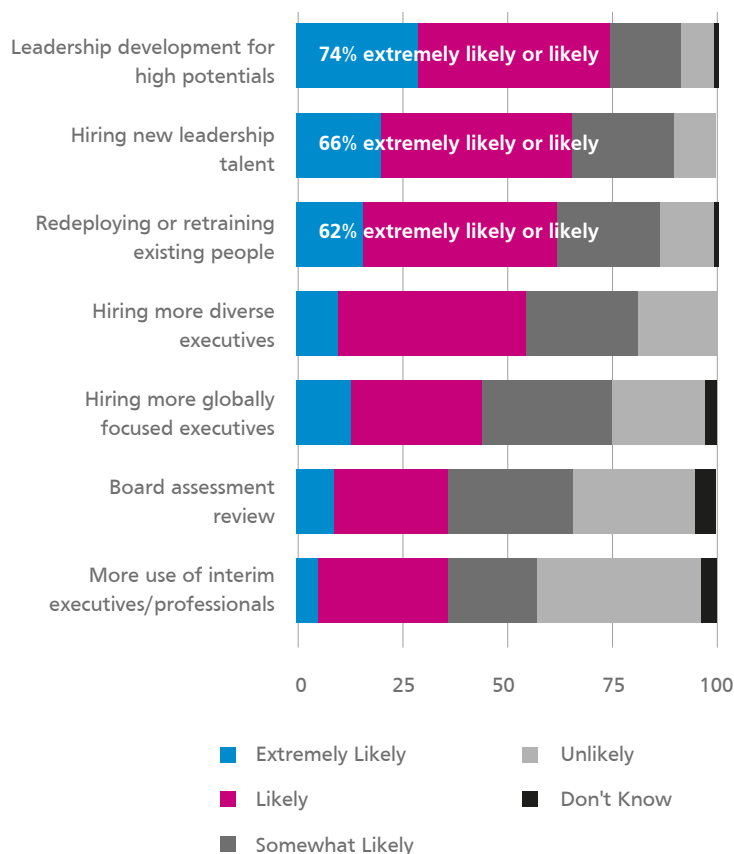
With human capital one of the top three drivers of growth, what talent-related investments are organisations likely to make in the next two years?

Leadership development for high potentials is the top talent investment, followed by **hiring new leadership talent** and **redeploying or retraining existing people**.

The success of these strategies is evident in the increased confidence in having the right talent to align to strategy; these same investments were highlighted in our 2021 study and are already delivering returns. It is worth continuing to narrow a gap of 14 percentage points between confidence in organisational growth potential and confidence in talent to align with strategy.

The biggest change is in the use of interim executives: 36% are extremely likely or likely to bring in interim executives in Europe, up from 22% in 2021. The value of interim management is increasingly well understood, evidenced during peak pandemic years.

Talent-related investments

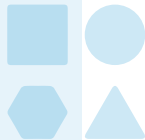


The top **talented-related investment by sector** is:

Leadership development	Financial services 93%
Hiring new leadership talent	Consumer & retail 70%
Retraining/redeploying existing people	Technology 75%
Hiring more diverse executives	Technology 69%
Hiring more globally focused executives	Industrial 48%
Board assessment	Financial services 38%
More use of interim executives	Financial services 71%

The data reveal **disparities by job function**:

71% of HR leaders expect to **hire more diverse executives**, compared with 54% of President/CEOs



53% of board members expect to **hire more globally-focused executives**, compared with 38% of CEOs



Strengthening executive talent

We asked respondents to identify areas where their organisations need to strengthen executive talent.

The top three areas are:

01

84%

DIGITAL (ROBOTICS, AI, MACHINE LEARNING)

02

83%

MARKETING & SALES

03

80%

TECHNOLOGY/CLOUD CYBERSECURITY

Health & safety, the fourth priority in Europe, is up significantly compared with 2021, when this area was the lowest priority. Skills in supply chain, the sixth priority, is up from the penultimate position in 2021.

In-demand executive talent

		Digital (Robotics, AI, Machine Learning)	Marketing & Sales
		84%	83%
Technology / Cloud / Cybersecurity	Health & Safety	Research & Development (R&D)	Supply Chain / Logistics
80%	75%	75%	74%
Operations	Human Resources	ESG - Sustainability	Finance
74%	73%	73%	73%
	Innovation/Business Transformation	ESG - Diversity, Equity, Inclusion	Risk / Legal / Compliance
	69%	67%	58%

Top talent in the technology and tech-driven sectors will be attracted to human-centric companies offering innovation, creativity and a strong strategy for facing new challenges. This is a key moment for reinforcing leadership teams.

Top executives are more open to disruptive projects and will do proper due-diligence before joining. So transparent and clear communication from the early stages is essential, as well as a good understanding of candidates' main motivations.

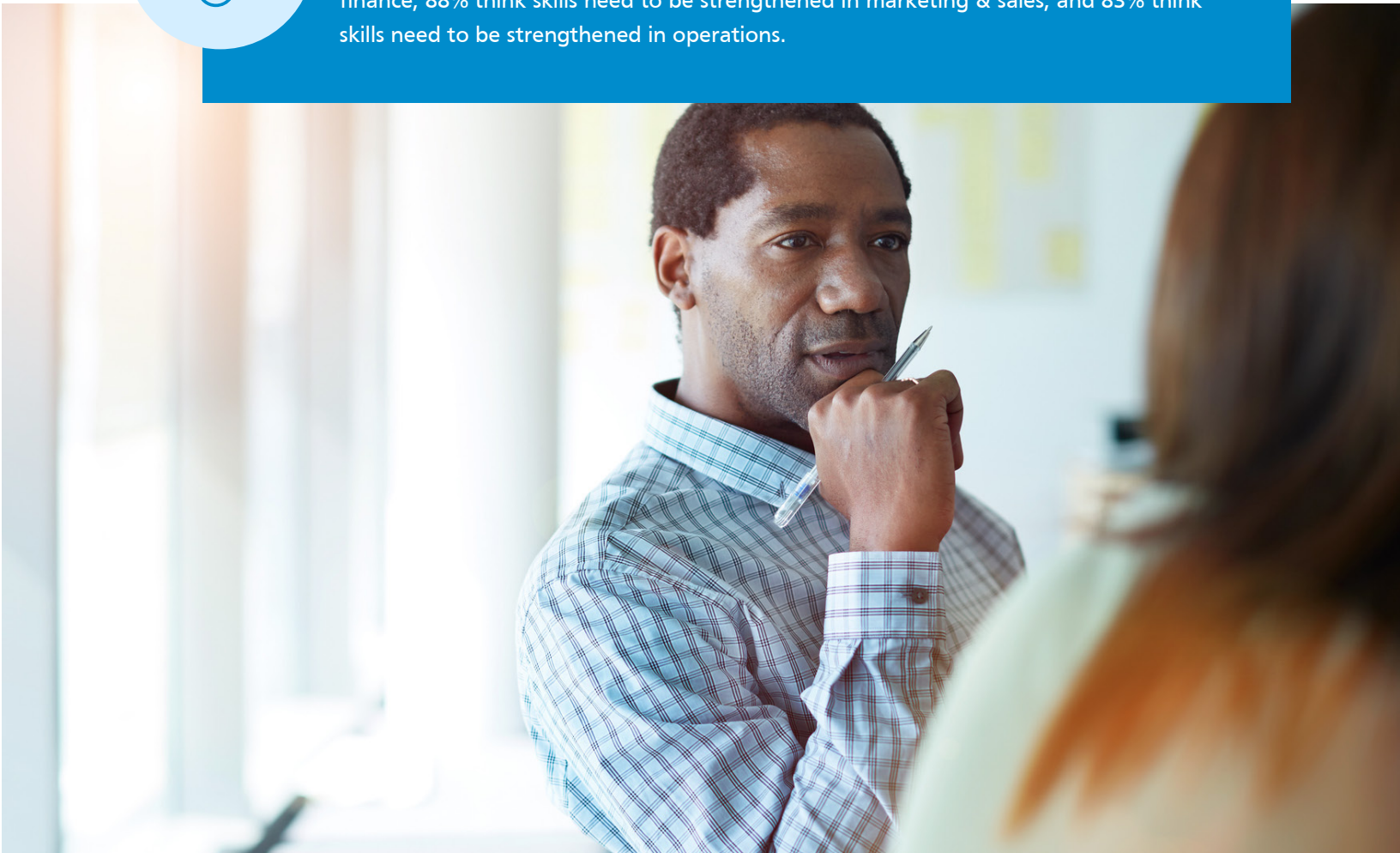
- LOURDES LOPEZ, BOYDEN SPAIN

The top area where organisations need to strengthen talent by sector is:

Consumer & retail	Marketing & sales
Financial services	Risk/legal/compliance
Healthcare & life sciences	ESG-sustainability
Industrial	ESG-DE&I
Professional services	Research & development
Technology	Finance



By job function, 94% of **Presidents/CEOs** think skills need to be strengthened in finance; 88% think skills need to be strengthened in marketing & sales; and 83% think skills need to be strengthened in operations.



Drivers of recruitment and retention

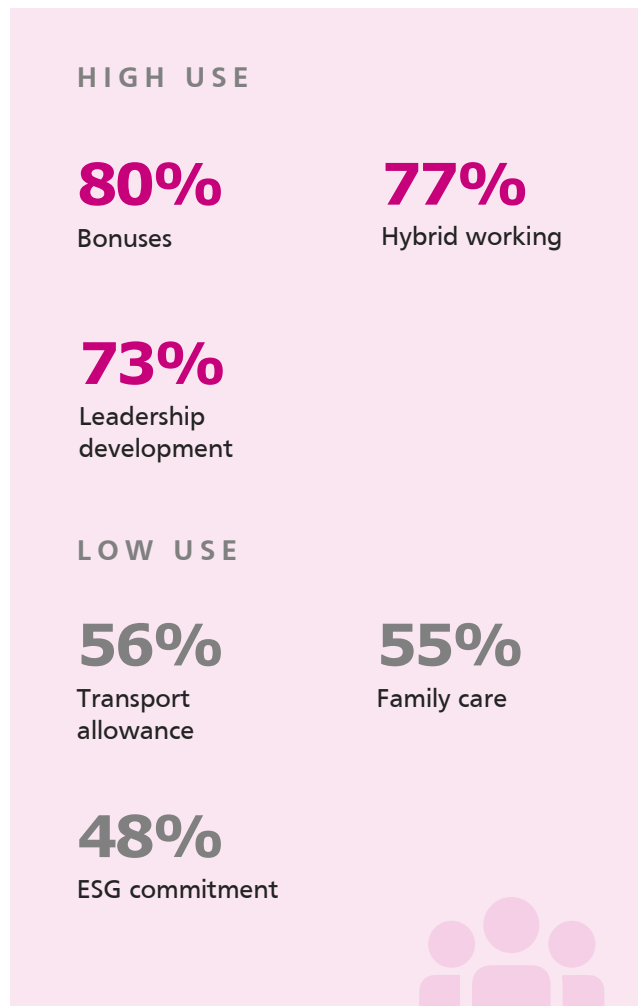
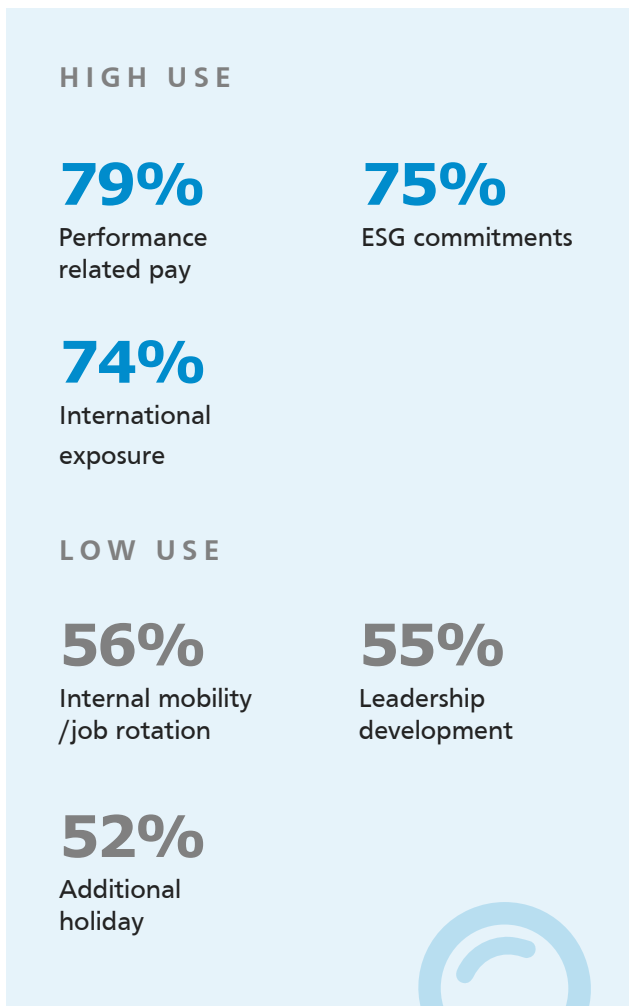
We asked respondents which incentives they use for senior-level recruitment and retention.

For recruitment,

European respondents use a broader approach, focusing on **remuneration, ESG commitments** and career development in the form of **international exposure**. Global recruitment data shows a narrower focus on financial reward.

For retention,

European respondents are in line with global averages, using **bonuses, hybrid working** and **leadership development**.



For **recruitment**, the top driver in each sector is:

Consumer & retail	ESG commitment and sign on bonuses
Financial services	ESG commitment
Healthcare & life sciences	Sign on bonuses
Industrial	ESG commitment
Professional services	Internal mobility/job rotation
Technology	Transport allowance

For **retention**, the top driver in each sector is:

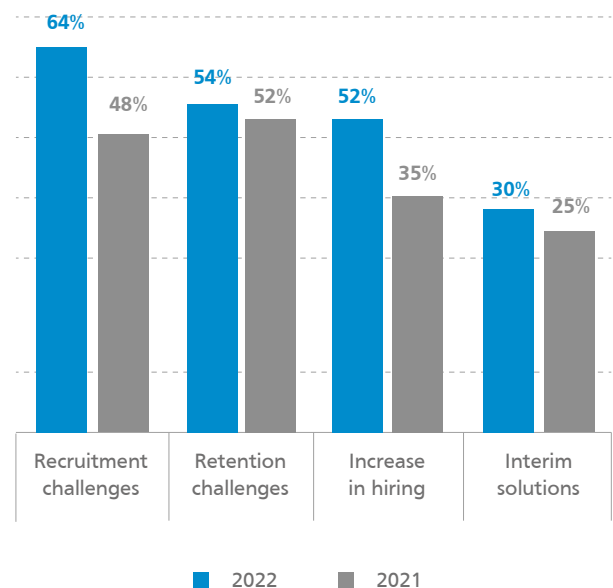
Consumer & retail	Leadership development
Financial services	Additional holiday
Healthcare & life sciences	Internal mobility
Industrial	Internal mobility/job rotation
Professional services	Stock options
Technology	Performance-related pay

Talent look ahead

In looking at talent over the next 12 months, a marked increase in hiring is expected, up from 35% of respondents expecting this in 2021 to 52% in 2022. This correlates with 'human capital' being the third top driver of growth.

Concerns over recruitment are correspondingly high, with 64% of respondents expecting recruitment challenges through 2023, compared with the 48% who expected recruitment challenges through 2022. This correlates with 'competing for the right talent' being identified the third driver of structural change.

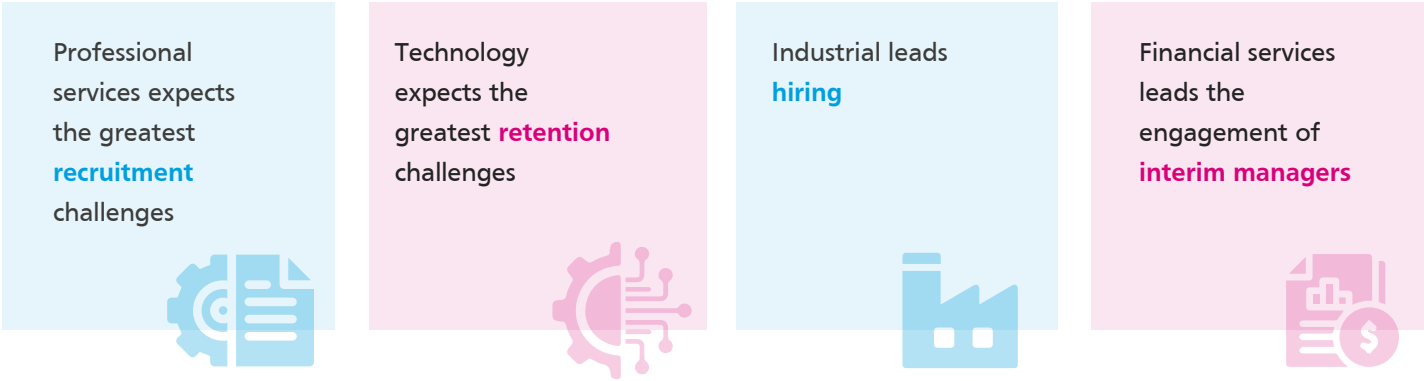
The use of interim solutions may help with recruitment challenges, and is expected by 30% of respondents compared to 25% last year.



These findings illustrate a significant shift in the use of interim management professionals to supplement and support the demand for permanent, executive talent as a key driver of business growth. The pandemic years underlined the impact interims can have on an organisation and they continue to be utilised as a major driver of business change and transformation.

- LISA FARMER, BOYDEN U.K. AND IRELAND/
GEORG LARCH, BOYDEN GERMANY

By sector:



By job function:

Board members are more focused on external solutions: 81% expect to see an increase in hiring over the next 12 months, compared with 51% Pres/CEO and 53% HR leader.



A perceived battle for top talent in financial services has become reality. Although organisations tend to be good at following the DEI standard, they often fail to address deeper cultural issues. Every firm has a unique culture, and identifying the right C-level candidate is essential for addressing, managing and achieving specific cultural change.

- DR. DIRK FRIEDERICH, BOYDEN GERMANY

Despite the current global economic turmoil, the fight for talent is unchanged and is a high priority for clients. They are looking for a strong business mindset, an international and proactive approach and leadership capabilities with further potential. This is the case especially for consumer & retail companies, where brand development, international scalability, ESG experience and digitalisation are top of mind.

- HENRIK HARBO, BOYDEN DENMARK

Cultural Landscape

04

With so much focus on innovation, digital and industry transformation, how is organisational culture changing?

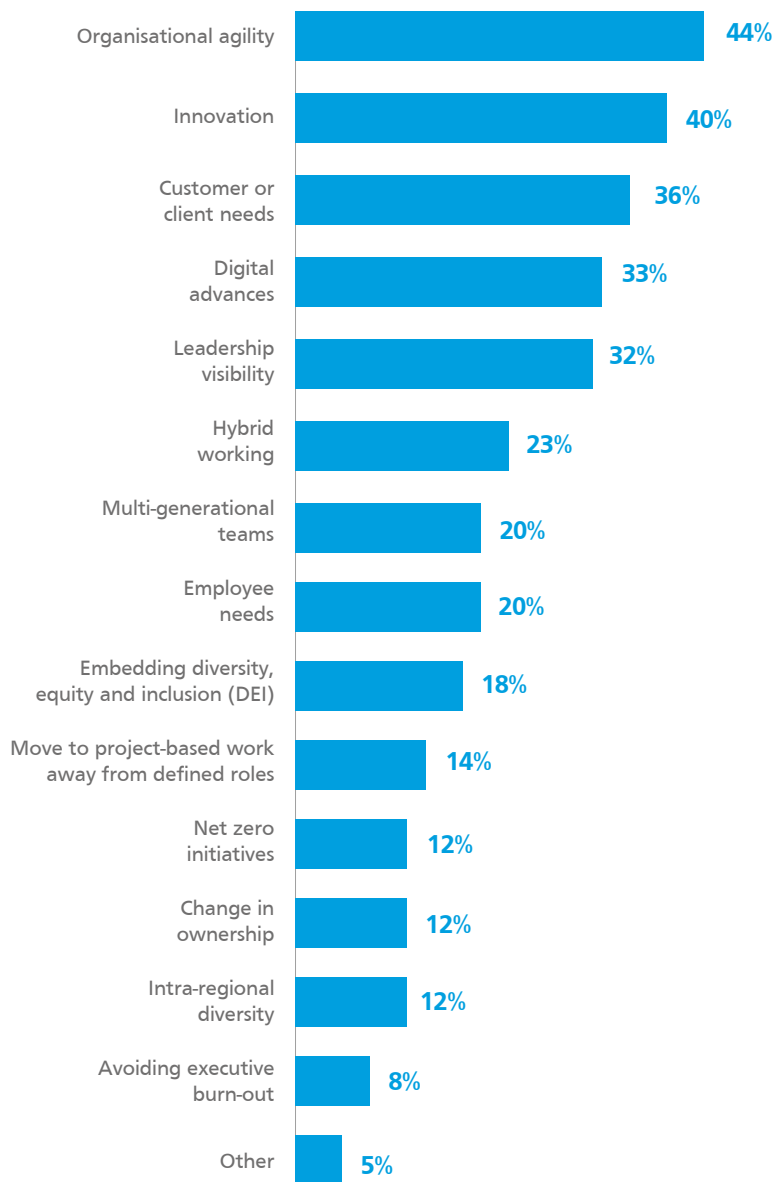
The top drivers of culture shifts identified by European respondents are:

44% 01 ORGANISATIONAL AGILITY

40% 02 INNOVATION

36% 03 CUSTOMER OR CLIENT NEEDS

Culture shift drivers



The top driver of **culture shift by sector** is:

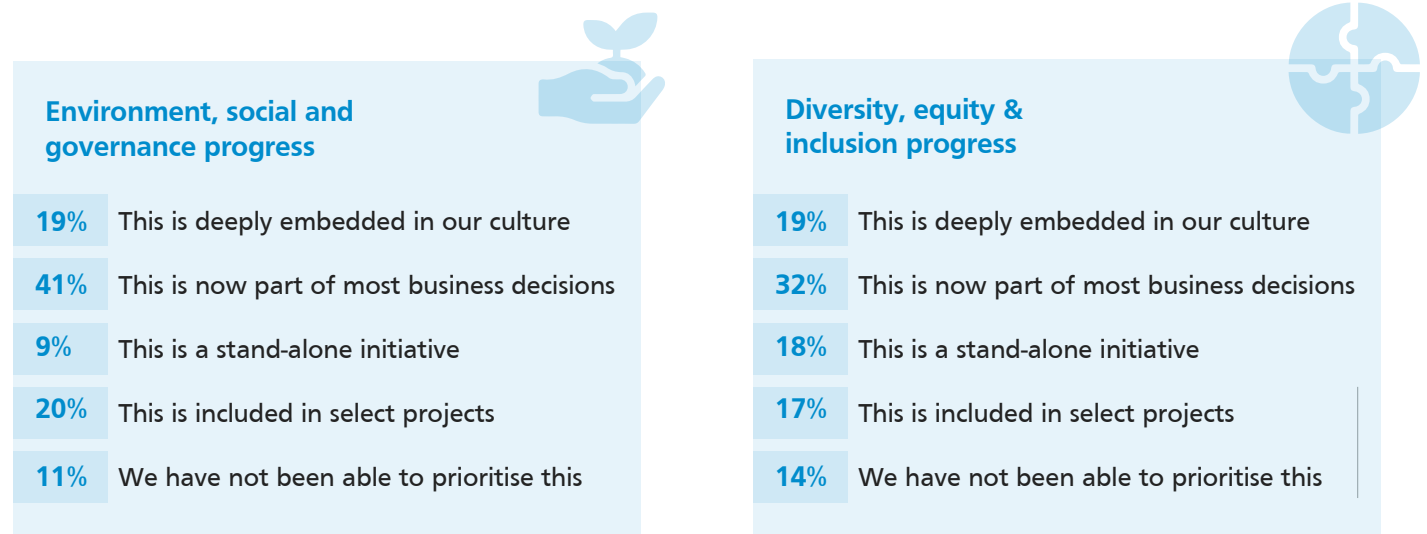
Consumer & retail	Organisational agility
Financial services	Digital advances
Healthcare & life sciences	Innovation
Industrial	Organisational agility
Professional services	Innovation
Technology	Customer needs

At what stage are these cultural shifts? Taking the temperature of the **alignment of culture and behaviours to organisational purpose and business objectives** leaves us lukewarm; respondents score this 6 and out of 10, in line with the global average.

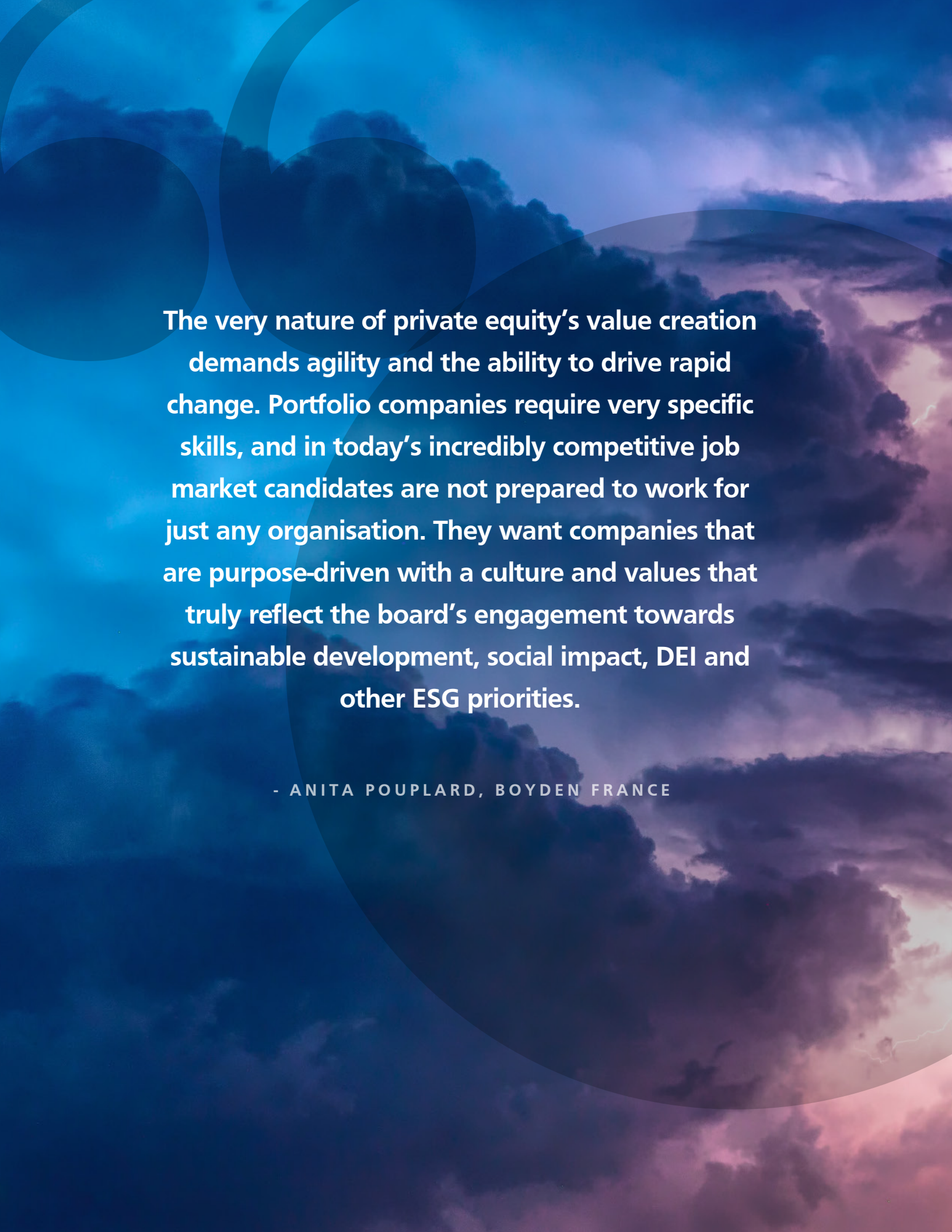
Environment, social and governance progress

What impact are environment, social and governance (ESG) initiatives having on culture?

We look at two areas in ESG: (i) ESG in general, and (ii) diversity, equity & inclusion (DE&I) in particular, asking respondents to select the most applicable statement for their organisation. While we acknowledge that DE&I is part of the 'Social' in ESG, we have singled it out to reflect the high proportion of respondents focusing specifically and separately on DE&I.



European respondents are mostly on par with their global peers. A higher proportion, at 41% have made ESG **part of most business decisions**, compared with 33% globally.



The very nature of private equity's value creation demands agility and the ability to drive rapid change. Portfolio companies require very specific skills, and in today's incredibly competitive job market candidates are not prepared to work for just any organisation. They want companies that are purpose-driven with a culture and values that truly reflect the board's engagement towards sustainable development, social impact, DEI and other ESG priorities.

- ANITA POUPLARD, BOYDEN FRANCE

Soft skills in leadership

Culture comes from the top, through leadership behaviour and soft skills.

We asked respondents to rank the most valuable soft skills in leadership. While responses in this area are more widely distributed, the following three rank at the top:

43% 01 **DRIVING CHANGE**

42% 02 **INSPIRING TEAMS**

32% 03 **EMPATHY**

The most valued skill of **driving change** corresponds to the biggest driver of cultural shifts, organisational agility, closely followed by inspiring teams.

The focus is very much on 'internal' rather than the 'external' skills identified in 2021; **enhancing organisational reputation** is the second to last most valuable soft skill here, despite being the top factor for attracting the best talent in 2021.

In-demand soft leadership skills



The **most valuable soft skill** by sector is:

Consumer & retail	Driving change
Financial services	Influence, leading hybrid teams
Healthcare & life sciences	Driving change
Industrial	Driving change
Professional services	Inspiring teams
Technology	Digital & innovation savvy

Professional services is making an important transition from a relational business model to a more sophisticated transactional one that combines local market knowledge with additional global expertise. This, coupled with talent shortages, means the sector needs flexibility in people resourcing to respond to changing and increasingly refined client needs. Firms are therefore adopting organisational change and innovative solutions in response to this and to ensure they provide the best possible client service.

- MIGUEL ÁNGEL ZUIL, BOYDEN SPAIN

In such a time of uncertainty, leaders need to leverage their emotional intelligence to minimise insecurity. Research shows that leaders who excel in using their soft skills when anxiety is high secure long-term results by uniting the team around an aspirational agenda delivered with a high degree of emotional intelligence. Even when tough calls have to be made, understanding how people will react when delivering difficult messages reduces organizational turbulence.

- MORTEN WINTHER, BOYDEN DENMARK

The pandemic prompted healthcare and life sciences to create mobile app innovations for telehealth, remote patient monitoring and mental health management, and AI will become an even stronger decision-making tool. While some were ahead, the whole industry now needs to find intelligent solutions. Line managers proactively had to manage complexity in a regulated environment, drive change and transformation and inspire teams, communicating vision with accountability and integrity. These competencies define future success.

- KERSTIN ROUBIN, BOYDEN AUSTRIA

The Board

05

How confident are respondents that the skill sets within their current board or executive committee are aligned with strategy?

Europe

69% VERY CONFIDENT/
CONFIDENT

23% SOMEWHAT
CONFIDENT

8% UNCONFIDENT/
VERY UNCONFIDENT

Global

62% VERY CONFIDENT/
CONFIDENT

24% SOMEWHAT
CONFIDENT

14% UNCONFIDENT/
VERY UNCONFIDENT

Confidence in having the right talent is highest for the **board/executive committee**, compared to the overall workforce and leadership team.

European respondents are slightly more confident in their board/executive committee than the global average, with 69% **very confident/confident** in alignment to organisational strategy over the next two years, compared with 62% globally. Nearly a quarter are somewhat confident, 7% are unconfident and 1% very unconfident.

How do these figures compare to board assessment? 36% of respondents think it is **extremely likely/likely** that their organisation will invest in this over the next two years, compared with 33% in 2021.

Board members themselves see a greater importance, with 47% considering it extremely likely/likely that they will undergo a review over the next two years.



Strengthening board talent

We asked respondents to identify areas where their organisations need to strengthen board talent.

The top three priorities, matching the global average, are:

60%

01
ESG: DEI

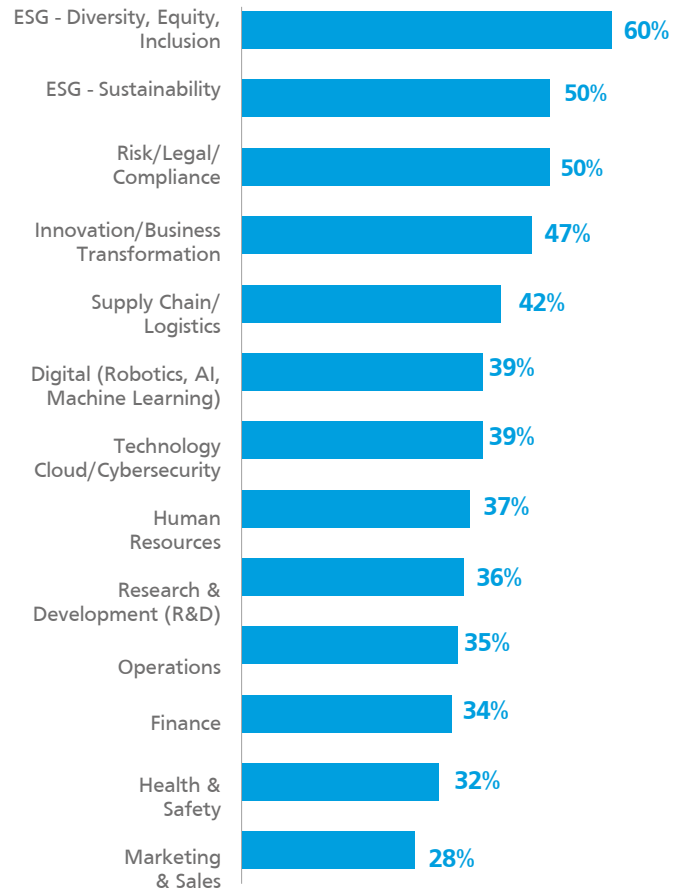
50%

02
=ESG-SUSTAINABILITY
=RISK/LEGAL/COMPLIANCE

47%

03
INNOVATION/BUSINESS
TRANSFORMATION

In-demand board talent



Although nearly 70 percent of respondents are confident or very confident in their board, I believe European boards still lack adequate training on ESG matters. In my opinion, an immediate change of direction is necessary. Fortunately, the percentage of respondents who state they will make investments or undergo a review over the next two years gives us hope.

- ANDERS LINDHOLM, BOYDEN ITALY

Ownership structure drives board responses to uncertainty, so industry-based competencies should be enhanced to align strategy with stakeholder objectives. Boards need deep company knowledge with strong visionary thinking and analytical skills, reducing turbulence by balancing short-term efficiency and profitability with longer-term agility. Expectations need to be aligned between CEO and board, with mutual trust and respect, supported by a Chairperson who promotes a leadership culture that encourages motivated, curious and accountable directors.

- CARITA LAHTI, BOYDEN FINLAND

It is very positive that ESG skills are seen as critical at board level: board members need to analyse how to operationalise a net zero strategy while senior leaders are focusing on digital, marketing & sales and technology as they steer the organisation through Industry 5.0.

Demand for these skills at board level resonates with our top growth drivers of innovation, digital transformation and human capital. More broadly, the importance of ESG-related talent mirrors the human-centric nature of Industry 5.0. This is encouraging. Net zero initiatives and a circular economy will become increasingly important for future-proofing businesses and attracting investment, top talent and ethical consumers, who grow exponentially with each new generation.

The board skill most in need of strengthening by sector is:

Industrial	Risk/legal/compliance
Healthcare & life sciences	Risk/legal/compliance
Professional services	Finance
Technology	Supply chain/logistics

The health crisis and then economic crisis that we are going through have resulted in two strategic challenges for companies: the need to arm themselves in increased competition to attract the best candidates and the need to retain their talents. This is all the more true within the management teams who carry out transformation projects that are decisive for the performance of their company, whether structural, technological or managerial.

- ERIC AUBERT, BOYDEN FRANCE

Conclusion

European respondents remain distinguished by their sharper focus on tech and digital capabilities, with growth and cultural shifts driven by innovation, and structural change driven by digital advances. The top challenge within the organisation is staying on top of digital transformation. There's no doubt where the laser is pointing in Europe.

As Industry 5.0 gains momentum, our research shows that this era needs people-focused leadership; driving change, inspiring teams and empathy will strengthen the human-centric core of Industry 5.0. Human capital and digital capabilities need to be further aligned to maximise their potential, jointly and separately.

This era is also defined by geopolitical risk, economic volatility and rising costs. Maximising the skills and capabilities of boards, leaders, executives and teams is an on-going priority as human ingenuity drives us forward.

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As one of our respondents put it so well,

"The world feels like we have two distinct types of business; those who profited through Covid and those that did not. For those companies that suffered during the pandemic we need to innovate more and work harder to stay relevant to today's talent. Re-doing old solutions is not good enough. We need to be laser focused on how to attract and retain the talent we need."

Report Contributors



Eric Aubert

Managing Partner, France; Global Leader, Biotech; Global Leader, Pharma



Nick Bellwood

Partner, United Kingdom, Global Leader, Healthcare & Life Sciences



Lisa Farmer

Managing Partner, United Kingdom; Global Co-Leader, Interim Management



Dr. Dirk Friederich

Managing Partner, Germany



Caroline Golenko

Managing Partner, France; Global Leader, Insurance



Jan Gustafsson

Managing Partner, Finland; Global Leader, Industrial Manufacturing



Henrik Harbo

Managing Partner, Denmark



Jörg Kasten

Managing Partner, Germany



Helga Kayser-Dörr

Managing Partner, Germany; Global Practice Leader, Industrial



Carita Lahti

Managing Partner, Finland



Georg Larch

Managing Partner, Germany; Global Co-Leader, Interim Management



Anders Lindholm

Managing Partner, Italy; EMEA Regional Leader, Social Impact



Lourdes Lopez

Partner, Spain



Anita Pouplard

Managing Partner, France, Global Leader, Private Equity & Venture Capital



Kerstin Roubin

Managing Partner, Austria; EMEA Regional Leader, Healthcare & Life Sciences; Global Leader, Consumer Health



Mark Soden

Managing Partner, United Kingdom



Morten Winther

Managing Partner, Denmark



Miguel Ángel Zuñil

Managing Partner, Spain; Global Leader, Professional Services