



Leading in  
the New  
Reality

*Two weeks ago, I [wrote to you](#) about the issues and concerns I'm hearing from US CEOs. This time, I've asked two of our senior European leaders, Mai-Britt Poulsen and Matthias Tauber, to share their thoughts on what they're hearing from CEOs on the ground in Europe. You'll get perspectives from other parts of the world in the coming months.*

To BCG's network around the world,

Much of Europe has been looking with envy at the vaccination progress in the UK and US over the past few months. As we finally start to catch up across the continent, we're finding that business leaders throughout Europe are turning to a range of pressing challenges and opportunities facing them in a postpandemic reality. Here are five themes on the minds of CEOs in Europe today:

1. **Tackling Climate Change.** The acceleration of ESG is top of mind among business leaders in Europe—with [climate and sustainability](#) the biggest priority. Leaders took notice when the International Energy Agency recently said there must be no new fossil fuel projects beyond this year if we are to reach net zero by 2050. As one CEO told us, "We have very aggressive technology investments as a part of our [climate] strategy, and at the same time we are trying to increase our cost efficiency and cost restructure beyond the levels in the past."
2. **Building an Inclusive Economy.** "With COVID-19, the social contract between business and people has changed," said a CEO we talked to. For example, more and more European leaders are recognizing the important role that business must play in shrinking the diversity gap in leadership—still enormous in some industries—and building inclusive cultures that encourage a range of perspectives and backgrounds. The payoff is clear: companies with [above-average diversity on their management teams](#) reported innovation revenue that was 19 percentage points higher than those with below-average diversity.

3. **Accelerating Digital Innovation.** The vast majority of future jobs will require digital knowledge, but today [44% of 16- to 74-year-olds in Europe are lacking basic digital skills](#). The digital acceleration of the past 6 to 12 months has increased this digital skills gap and heightened the competition for talent, pushing many leaders to worry about workforce-planning processes and large-scale [upskilling and reskilling programs](#). And while the US and the likes of Google and Facebook may be out in front in the digital consumer game, business leaders of European industrial companies feel high urgency to win in digital B2B—an opportunity still within their grasp if they move quickly and boldly.
4. **Competing After the Pandemic.** As we said above, there's recognition of the need for digital-driven innovation, but there are also growing concerns about how European companies can compete amid heavy regulation and increased legislation. These worries are nothing new, but they loom large as the US pumps much more stimulus into its economy than we will see in Europe. At the same time, leaders here are worried about the health of their supply chains—and how they can best gain market share. Inflation concerns start with raw materials, but labor supply is also a factor, particularly in Northern Europe.
5. **Keeping Human Interactions in the Future of Work.** CEOs of big European companies are eager to bring their people back to the office—to build back company culture, keep apprenticeship alive, and strengthen relationships across the organization while trying to balance requests for hybrid working models. Frequency of travel is another matter. Leaders will likely reconsider in-person meetings in order to save time and costs and to benefit the planet.

The challenges ahead are complex, and there's plenty keeping European leaders up at night. But as we begin to move past the pandemic in this part of the world, there's excitement about the great potential to bring about positive change and optimism about the opportunities to come.



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## Leading Through the Big Transition to the New Reality

Emergence from the pandemic will depend on human behavior, people feeling safe in the world and in the workplace, and workers becoming healthier and more productive. This is largely a project for the private sector.

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