

Leadership for a Complex World

Planning for the CEO of the Future





With their CEO exhausted from the demands of the past three years and contemplating retirement, a large global company was facing critical leadership and strategic challenges.

The company — a brand known for high-quality products and excellent customer service — had historically enjoyed dominant market share. Yet, it was scrambling to keep pace with advances in technology, new entrants and innovative competitors. Its culture was risk-averse and consensus-driven, making change hard to implement and sustain. Like many companies, it was navigating the many challenges of the 2020s — macroeconomic uncertainty, geopolitical turbulence, supply chain disruptions, the war for talent, shifting attitudes toward work, broader societal changes and ESG pressures, including the need for more diversity in management. Turnover was high and a C-suite leader had just resigned for other opportunities. The stock price was underperforming the broader market, and there were rumors of shareholder activism.

Could the incumbent CEO effectively navigate these dynamics (or even want to)? If not, who could? For the board, the picture was frustratingly unclear. With so much change inside and outside the organization, what kind of CEO did they really need to successfully lead the company into the future?

With the job of the CEO becoming even more complex and challenging, boards around the globe are wrestling with similar quandaries as they consider CEO succession planning and the next generation of leadership. CEOs themselves are grappling with what it means to “perform” in times like these. Many talented executives are looking at the once-alluring CEO job and wondering whether it will extract too great a toll, especially at a public company. As advisers to boards and C-suites around the world, we witness firsthand how these questions play out in boardrooms and executive offices — and the very real stakes for getting the answers right.

What have we found? In short, the playbook has changed. What made CEOs successful in the past is no longer sufficient. The context in which CEOs operate is becoming fundamentally more complex, and traditional approaches to leadership no longer work. This has implications for what CEOs need to do, how they do it and the profile of those who will succeed in this new world.

Our view is not that more crises are happening overall. What is different today is the scale, scope, pace and interconnectedness of challenges.

Every CEO profile will still reflect a company’s specific context, including most-valued career experiences and leadership capabilities. But increasingly, high-performing CEOs will be distinguished by intrinsic, “[beneath the surface](#)” qualities that fit into two categories: capacity — what they have the potential to do versus what they have already done — and character — how they are likely to respond when stretched beyond what they have done in the past. They will have the humility to recognize the magnitude of the change in context and the integrative thinking ability to make sense

of the internal and external forces at play for the business. They will have the agility and courage to act on the implications, the empathy to connect with diverse stakeholders, and the ability to cultivate and use an ecosystem of information and talent. These findings about the changing nature of CEO leadership largely hold true around the world.

The changing context of CEO leadership

“These are unprecedented times.” We have heard this statement countless times in the past few years. The COVID-19 pandemic, social justice movements around the world, environmental crises and macroeconomic uncertainty have provided a steady drumbeat of challenges since the 2020s began.

Our view is not that more crises are happening overall. Economic, geopolitical, social and even epidemiologic crises happened in every past decade. What is different today is the scale, scope, pace and interconnectedness of challenges. Technology has made business boundaryless and accelerated the rate of change, compounding the effect of intensifying macro factors like political divisions and shifting stakeholder expectations, and complicating business’ response to opportunities and challenges. The news is rife with examples:

- » A well-meaning marketing campaign going viral on social media, sparking customer backlash — and then a counter backlash to the company’s response
- » An unexpected surge in demand that can’t be met due to the dramatic restructuring of the supply chain driven by geopolitical turbulence and worker shortages
- » Global markets reacting to the failure of one company, creating a domino effect that threatens to take down other companies in the sector and beyond





Related, amid greater polarization and the reduced credibility and effectiveness of government and other institutions, society looks to business for leadership on a broad range of political, environmental and social topics. Consumers want to shop with brands that share their values and help tackle today's biggest challenges. Employees want to work for companies that align with their own sense of purpose.

Exacerbating the challenge for leaders is the constant pressure to monitor and make sense of the "always on" information environment. Emboldened and empowered by social media, stakeholders amplify their demands on companies, and leaders must figure out in real time whether and how to respond. When almost anything can have relevance for their business, CEOs must be hyperaware and discern what will — or will not — impact their organizations.

The changing context

A number of factors are raising the stakes for companies and their leaders.

A 24/7, ultra-networked world

Our "always on" environment makes it more challenging for leaders to discern what matters to their business and whether/how to act. The rise of AI will only accelerate this challenge.

The bigger role business plays in society

People now look to business for leadership on political, environmental and social topics, including shared problems such as climate change, social justice and generating long-term value for all stakeholders.

A broader set of vocal and demanding stakeholders

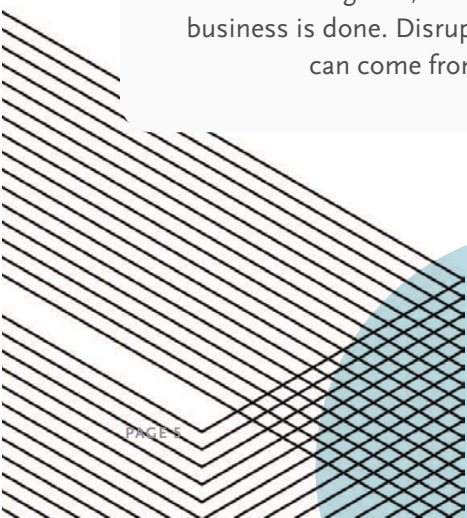
Emboldened and empowered by social media, customers, employees, investors and others are more vocal and can quickly coalesce around controversial topics.

Increased disruption and risk from macro forces

Geopolitics, economic uncertainty, supply chain disruptions, deglobalization and nearshoring, and rapid technological advances, including artificial intelligence, are radically changing how business is done. Disruptions and opportunity can come from anywhere.

Generational shifts regarding the purpose of work

Employees seek out organizations that both align to their values and allow them to meet professional goals, not just earn a paycheck.



The changing context has implications for businesses of every size, in every industry, although the impact of any one factor may differ from company to company. As they plan ahead, boards and CEOs should consider how these factors may affect the business today and in the future, including their implications for strategy, culture, operations and leadership.

To delve deeper into the impact of the changing context on their business, boards and C-suite leaders can reflect on the following questions:

Which of these forces or trends disproportionately affect our company?

What are their implications for our company's mission, strategy, culture and CEO?

The changing CEO job

Do these changes in the context mean CEOs' jobs are fundamentally different from before? Yes and no. Ultimately, CEOs still must create shareholder value and lead their companies toward success. The ability to drive results has consistently been the top-scoring dimension for CEOs in our assessment database over the past 10 years; that has never wavered. What has changed is the very definition of "success" and the methods an organization employs to achieve it.

The CEO's job is only going to get harder. There are five things they will have to get right.

- » **Define success in a new way that reflects financial goals and the company's long-term purpose.** Make no mistake, delivering financial performance remains non-negotiable. But there is now more. Defining and energizing the organization around the company's purpose — its reason for existence beyond making money for shareholders — is critical for the CEO of the future. Being purpose-driven is no longer limited to non-profits or sectors like healthcare or education. When the context is constantly changing, companies need a North Star to orient their people toward — and stay true to — their strategies. Clarity of purpose inspires employees, engenders customer and investor loyalty, and provides the foundation for long-term, sustainable financial returns.
- » **Engage and inspire a wider array of stakeholders than before.** Engendering followership has never been easy. The rise of stakeholder capitalism and focus on sustainability means that the CEO of the future must credibly engage more constituencies than in the past. Employees, customers, suppliers, investors, regulators, the media, community members and the general public are watching all the time; ongoing technology advances will only accelerate this reality. The CEO of the future must find a way to listen to and interact with various stakeholders in a confidence-inspiring way and yet not try so hard to meet all their demands that they move reactively or cause whiplash for their organizations.



- » **Build and use a diverse ecosystem of talents and resources — because no CEO can have all the answers.** Leading in a world of heightened ambiguity, the CEO of the future cannot know or decide it all. By drawing on a richer, more diverse set of inputs, CEOs are better able to anticipate and respond to emerging developments, navigate change and see further into the future. Externally, CEOs must actively develop a broad and diverse network — extending well beyond the company’s current ecosystem — that will provide the insight, ideas and connections to enable their business to make real leaps in innovation and growth. Internally, CEOs must make sure they have a robust team around them to enhance and amplify their leadership, supporting their success and addressing gaps in their skills or knowledge. The board is a particularly important part of the CEO’s ecosystem, working with the CEO to evaluate risks and opportunities, anticipate and solve problems, and articulate a strategy for sustainable business performance.
- » **Drive results using a more agile and empowering — rather than directive — leadership style.** The CEO of the past tended to lead in a directive manner, cascading information and orders down through the organization. Leading in this way is isolating and causes CEOs to under-develop and underutilize their ecosystem. The directive leadership style limits the exchange of ideas, negatively impacting decision-making, organizational agility, employee engagement and ultimately business results. The CEO of the future is much more empowering and consultative; they use their positional authority, but rarely in a command-and-control way. They model inclusive behaviors. However, as our research shows, it is not easy to simply become less “directive.” It takes years of self-development and experimentation before one can masterfully blend “top-down” and “bottom-up” leadership.
- » **Stay current and alert. Act or enact change when needed.** Ongoing advances in technology (especially the accelerated development of AI), the rise of disruptive competitors, changing customer expectations, and other swiftly evolving internal and external conditions require CEOs of the future to continually adapt strategies and plans. They must plan for multiple scenarios, fine-tuning as new information becomes available. They also know when to stay the course and avoid knee-jerk or cypoccat reactions. Moreover, they recognize the need to continually reinvent themselves, their teams and the organization to remain vibrant. As our CEO Life Cycle research shows, complacency is a significant risk over time, especially for successful businesses. CEOs of the future continually question the status quo and stay vigilant about the need for change.

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As they plan for the next generation of leaders, boards should evaluate how the responsibilities of the CEO are evolving based on the changing context, reflecting on the following questions:

To what extent does our current CEO embrace these shifting responsibilities? In which areas do they excel? In which areas could they do better?

How robust is our CEO's ecosystem? How well do they tap into their ecosystem's collective intelligence?

How prepared are our next-generation leaders — especially future CEO talent — for these responsibilities?

A rise in purpose

Our analysis of how leadership styles of CEOs have trended in the last few years confirms the move away from the traditional top-down style to one that is more mission-driven, people-centric and learning-oriented. In the past several years, we have seen more CEOs with [leadership styles](#) that score higher on *Purpose*, which emphasizes shared ideals and contributing to a greater cause. Meanwhile, the *Authority* style, which emphasizes confidence and dominance, has become less prevalent.

The new critical attributes for CEO success

Given the increasing demands of the job, the CEO of the future is engaging in a balancing act all the time: when to take bold risks and when to be prudent; when to move forward and when to pause; when to consult and when to provide direction; when to speak and when to say nothing; when to hunker down with an existing team and when to make changes.

What skills and experience do CEOs of the future need to achieve this balancing act? Many attributes traditionally associated with CEO excellence remain important, including strategic thinking, the ability to get results and developing the next generation of talent. We have identified five specific attributes that are especially important given the challenges CEOs face. All point to what a leader *can do* more than what they *have done*. They constitute the critical leadership DNA that will enable tomorrow's CEOs to confront, frame, navigate and resolve the continuous stream of significant challenges that will surely characterize the future.



- » **Systems thinking — strategizing comprehensively, brilliantly and courageously.** Systems thinkers recognize and embrace the interconnectedness of everything and think beyond traditional lines to develop bold ideas. They possess a combination of attributes, including: intellectual curiosity and a keen desire to learn and understand; critical thinking and problem-solving ability; conceptual thinking and the ability to synthesize vast amounts of information and arrive at big-picture insights; and the ability to strategically toggle across multiple angles, time horizons and scenarios, zooming in and zooming out as appropriate. Strategy is now tied to an element of character — the courage to take smart risks, catalyze a transformation or stay the course in the face of skepticism; the prudence to go slow when others are charging ahead; and a solid grounding in values and ethics to guide tough decisions. A leader who is not a systems thinker may think too narrowly and fail to connect the dots to determine what matters for their company. Without courage, a leader may fail to make timely decisions, make only small bets or reverse decisions already made. Leaders deficient in both are likely to miss opportunities or embrace poor business strategies.
- » **Self-reflection and adaptability.** The CEO of the future is inquisitive, agile and flexible. They invite information, learn from it and adjust — without the need to appear to have all the answers or be the smartest person in the room. The notion of “strong opinions, lightly held” is intrinsic to their approach and they also model it for others by visibly self-critiquing, seeking feedback, incorporating others’ views and adapting their approach if necessary. They encourage constructive dialogue and elevation of bad news. And they do these things even when the pressure of the moment invites the opposite response. Additionally, they intentionally break down rigid hierarchies so they can tap into the collective intelligence of the team and broader organization. Leaders who over-rely on their own expertise or ideas — and under-rely on others’ — tend to approach challenges with a fixed worldview and turn to past playbooks for answers, rather than dynamically learning and adjusting. This is a dangerous way to operate when navigating unfamiliar terrain.
- » **Leadership that blends confidence and accountability with empathy, inclusivity and social intelligence.** The CEO of the future leads with confidence and holds their organization accountable for results. At the same time, they display empathy, compassion, humility and vulnerability — qualities critical for leading with an empowering style. They don't allow self-interest or ego to erode followership. By blending “hard” and “soft” styles, the CEO of the future is better able to engage and rally people, a key to the success of their business. Underpinning this contemporary style of leadership is strong interpersonal and social awareness. Leaders who exemplify these traits can take in multiple perspectives in real time and shrewdly determine how best to engage others. This strength is not only cognitive but also externally visible. Whether they are introverts or extroverts, they find ways to relate to others, whoever they are. They are perceived as caring for people while they drive business results. They engender followership both through competency and their genuine connection to people. A balanced leadership approach is important. Leaning too heavily into “hard” leadership approaches may achieve results, but results may be unsustainable if employees feel disempowered or disengage. Meanwhile, overly “soft” leadership can lead to indecision, lack of accountability or poor decision-making about talent, negatively impacting results and team quality.

Executive Intelligence: what underlies the new CEO attributes

The core aptitudes underlying systems thinking, self-reflection and adaptability, and people-savvy leadership are measured by Spencer Stuart's [Executive Intelligence® evaluation](#). It assesses executives across three primary dimensions:

- » **Critical and conceptual thinking:** analytical problem-solving skills and big-picture, long-range thinking
- » **Self-evaluation and adjustment:** flexibility and willingness to adapt based on new or differing information and perspectives
- » **Interpersonal and social awareness:** ability to navigate small group and complex multi-stakeholder interactions

- » **Communication with the head and heart — infused with realism.** The CEO of the future communicates effectively. They motivate from up close and afar, in small or large groups, virtually or in person, in the boardroom or on a factory floor, with or without prepared scripts. Tailoring their communication to their audience, CEOs speak, write and show up in an open, candid and accessible way — they feel real. Others feel heard by these leaders. Across global settings, CEOs of the future are culturally sensitive. They know whether and when to speak on controversial topics. Leaders who excel in this area articulate the company vision and purpose with realistic optimism. Interactions with them are uplifting. The CEO of the past communicated more with head than heart; the CEO of the future communicates with their heart *in* their head. Leaders who are unable to effectively engage the organization, win over hearts and minds, and instill confidence risk losing followership and stakeholder support. In severe cases, poor CEO communication can tarnish the company's brand or reputation.
- » **Resilience.** The CEO of the future has prepared mentally, emotionally and physically for the stress of the job and the focus it requires. They understand that maintaining an edge in these areas is critical for performing at their peak. They are able to regulate their emotions to remain unflappable and motivated so they can be their best no matter what challenges they face. Self-aware about their strengths and limitations, they make sure to have the support they need around them. The CEO of the future stays resilient by managing their energy, prioritizing their health and connecting their work to their personal purpose. They rigorously manage their time to make sure they are doing only what the CEO can do and create space for self-reflection and rejuvenation. Inability to manage the demands and stress of the job can lead to burn-out, subpar decision-making and a shorter tenure. The more complex or volatile the business and its context is, the more resilience one needs.

In practice, it will be challenging to find leaders who have all of these attributes in equally high measure. Ultimately, boards wrestling with CEO selection and succession planning, like the board in our opening example, will have to identify which attributes are the most critical to the CEO's success and consider what tradeoffs they are willing to make to get the right leader — and whether and how deficiencies can be addressed through the CEO's ecosystem. These decisions must be informed by a determination of the macro factors that are most relevant to the business as well as the company's specific context, including the strategic direction and the demands and constraints from the team, organization and business environment.

The board of a large global manufacturing company, for example, selected a CEO successor who excelled in systems thinking, courageous decision-making and adaptability, even though they were not a stellar communicator. This is because the company needed a future CEO who could architect and implement a compelling 10-year growth strategy during a time of significant change and disruption. On the other hand, the board of a mission-driven services organization prioritized outstanding leadership and communication abilities when selecting a CEO successor, as directors did not see the business strategy significantly changing, and engaging and connecting with their employees, customers and stakeholders was top priority.

As they think about the critical attributes for future leaders, boards, CEOs and CHROs should consider the following questions:

Which of these attributes are disproportionately important for the CEO of our company? What tradeoffs are we willing to make given our context?

What other critical roles in our company require these attributes?

How confident are we in our company's ability to identify, assess and develop these qualities in current and future leaders?

The role of experience

Does experience still matter? Yes, but what constitutes critical experience has evolved.

In a complex world that is changing more quickly than before, past playbooks cannot be reused when facing novel, unforeseen challenges. This means deep expertise in any industry or functional vertical, or even prior experience as a CEO, is less useful than in previous decades. Indeed, our research into the benefits and limits of prior CEO experience found that high potential [first-time CEOs outperformed relative to experienced CEOs](#) over the course of their tenures.

Rather than time spent in a particular industry or function, it is now more critical to accumulate a range of relevant experiences. From large-scale P&L management to multisector exposure to leadership in a global setting to corporate finance and governance, there is no one-size-fits-all recipe. A collection of contextually relevant experiences is most likely to contribute to leadership success. It is a combination of breadth and depth that enables the CEO of the future to have the wisdom, pattern recognition and agility to navigate the vast range of situations that they will face. Experience is where individuals develop the muscles they will need as leaders, nurturing innate potential and building capabilities and expertise.

There is however one area where the CEO of the future must have built expertise: technology. Increasingly, companies must leverage technology to remake business models, expand their market reach, better understand customer aspirations and use data to align interest with opportunity, or they will fall behind. In particular, CEOs of the future will have to be utterly conversant in the unfolding reality of AI, both in terms of risk and opportunity, and its implications for strategy, ethics, business models, workforce management, competitive pressure, etc. CEOs need not come from a technical career path, but they must have tremendous appreciation for technology and its business applications. They must spend time with innovators and disruptors, not just their immediate peers and industry counterparts.

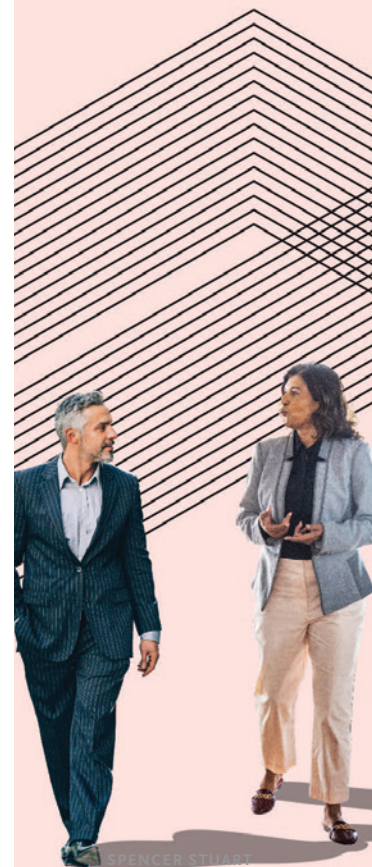
The CEO of the future: a job for a superhuman?

The job of CEO continues to become harder because the context in which businesses operate is now dramatically more complex and dynamic. The changing nature of business and leadership requires a new playbook for discovering and developing CEOs and other top leaders, one that emphasizes potential and character more than experiences and capabilities.

More is being asked of CEOs. But CEOs are not superhuman, nor are they superheroes. No one can do it all, and those who try are likely to confuse and frustrate their organizations and slow the progress of the business.

Recognizing that success cannot be achieved alone, CEOs of the future will embrace the collective intelligence of their ecosystem — their teams, their board, expertise outside company walls — to help anticipate and respond to risks and opportunities, sort through vast amounts of information to create (and deliver on) brilliant strategies, and continuously learn and adapt. Leading humbly, empathetically and shrewdly, they will create the conditions that empower their organizations to respond agilely to change and deliver sustained results. They will have the dynamic communication skills to engage a wide array of stakeholders, as well as the resilience to weather the ups and downs they will face during their CEO life cycle.

Boards, CHROs and today's CEOs must develop future CEOs with these qualities in mind, and with an eye toward strengthening the company's ecosystem of top talent in the process. Current CEOs and CHROs should invest in proactive, long-term succession planning for all C-suite roles, identifying leaders with potential early in their careers, designing career paths that balance depth and breadth, and building robust, diverse talent pipelines. Boards should set the tone for this approach, adopting CEO succession planning and general talent management processes that start early and continue over time with regularity and rigor. Meanwhile, those who aspire to become CEOs of the future should recognize that it is a prestigious but unprecedentedly difficult job. To prepare, they will want to prioritize experiences that allow them to balance depth and breadth of expertise and perspective, hone and scale their leadership skills, and strengthen their character and resilience.



Methodology

To define the forces at play for business and what they mean for CEOs, including the implications for developing CEOs of the future, we have drawn on quantitative and qualitative analyses from dozens of CEO succession engagements, leadership style and employee engagement data, and interviews with CEOs and board directors. We captured the knowledge and insight of 30 senior Spencer Stuart consultants who have collectively advised on more than a thousand CEO succession projects in the past five years and regularly coach sitting CEOs and CEO aspirants on accelerating performance. We evaluated data on changes in CEO leadership styles over time, based on Spencer Stuart's [Culture Alignment Framework](#), to test hypotheses about how CEOs were adjusting to the evolving macro context. We analyzed employee engagement trends collected by Kincentric, a Spencer Stuart company, to understand how employee expectations have changed over time. Finally, we tested our hypotheses with sitting CEOs and board directors.







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