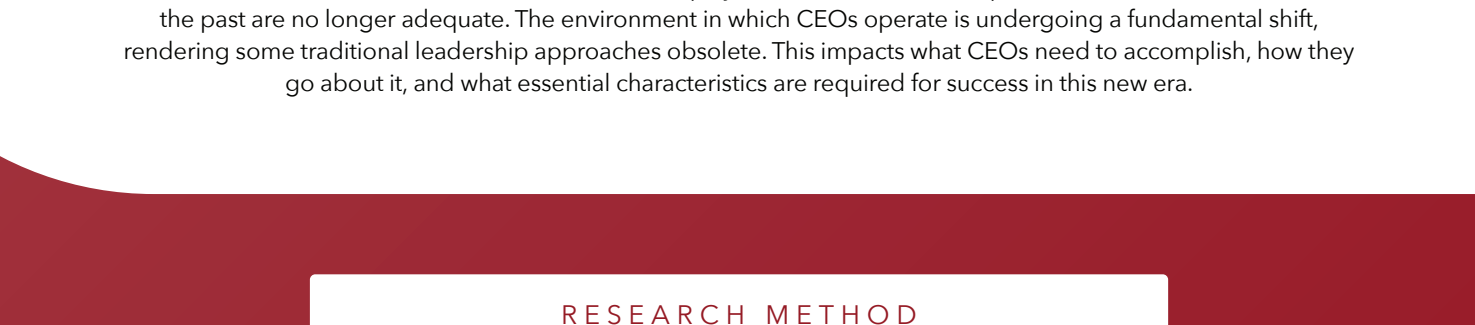


Investigating the future CEO

with EY and Livingston James

EXECUTIVE SUMMARY



INTRODUCTION

With accelerated digital transformation, war in Europe, talent shortages, supply chain challenges and ESG all part of the agenda, the current CEO doesn't need to look far for challenges. With the VUCA market becoming the norm, does the future CEO need to equip themselves with new skills and do boards need to start thinking differently when appointing their next CEO?

In partnership with EY UK, Livingston James Group carried out a research project to investigate the future CEO. We surveyed and interviewed over 120 leaders across all sectors and functions in the Scottish market to identify what they believe will be the most important characteristics for the CEO of the future.

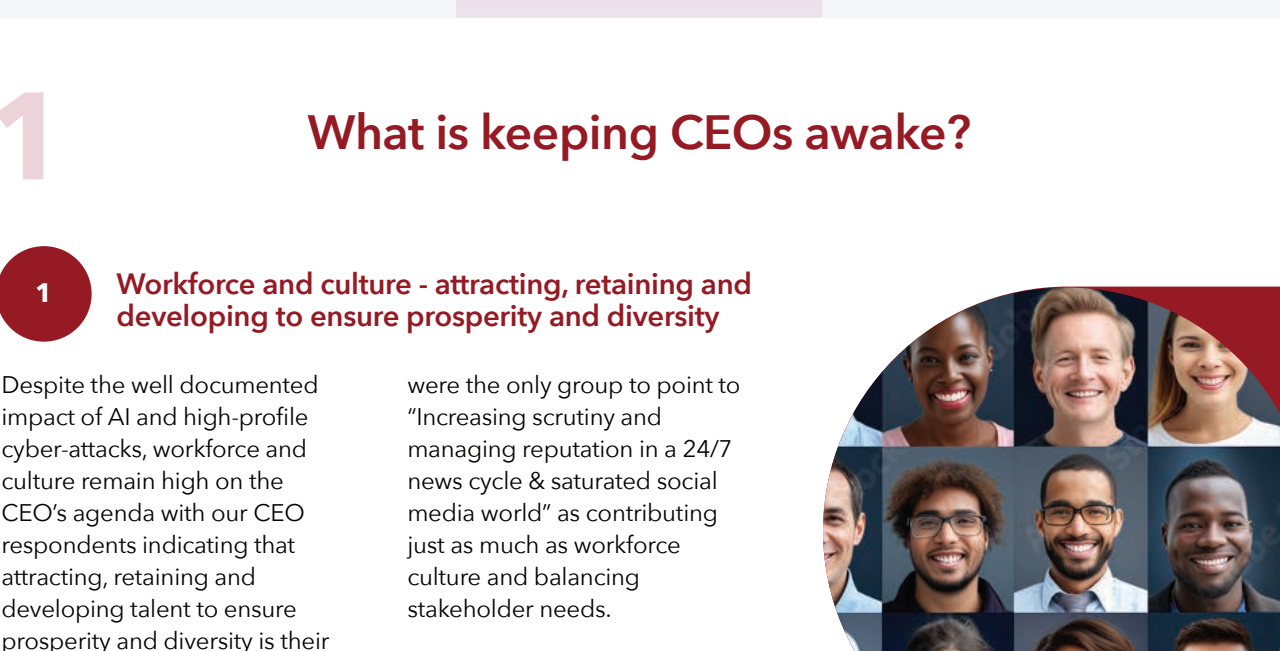
What have we uncovered? In essence, the traditional playbook has evolved. The qualities that led to CEO success in the past are no longer adequate. The environment in which CEOs operate is undergoing a fundamental shift, rendering some traditional leadership approaches obsolete. This impacts what CEOs need to accomplish, how they go about it, and what essential characteristics are required for success in this new era.

RESEARCH METHOD

To gauge what the Future CEO may look like, we explored current CEO thoughts on what was keeping them awake at night and what they thought were the key characteristics of the Future CEO. We asked them to consider perceived challenges to delivering their strategy, which skillsets they believed to be most important, and who they felt would be best suited to take on the Future CEO role from their current team of functional heads/directors.

We also asked the same questions to Non-Executive Directors and functional leaders to gain more insight into what they thought was most important in the make up of the Future CEO. We explored if they were personally in line for CEO succession, and if not, who they believed was best suited. As a visitors to many Board and C-suite professionals, we also spoke directly to leaders in our network, complementing this with our event series where we brought together leaders from all sectors and job functions to debate the survey results.

RESPONDENTS



FUTURE CEO QUESTIONS COVERED

What is keeping CEOs awake? What are the key priorities moving forward? What are the challenges future CEOs will have when executing their strategy?

What do you think are the key personal attributes CEOs will need to succeed in the future? What do you believe will be the most important focus and characteristics for the role of the future CEO? Succession planning - who's in line for the top job?

1

What is keeping CEOs awake?

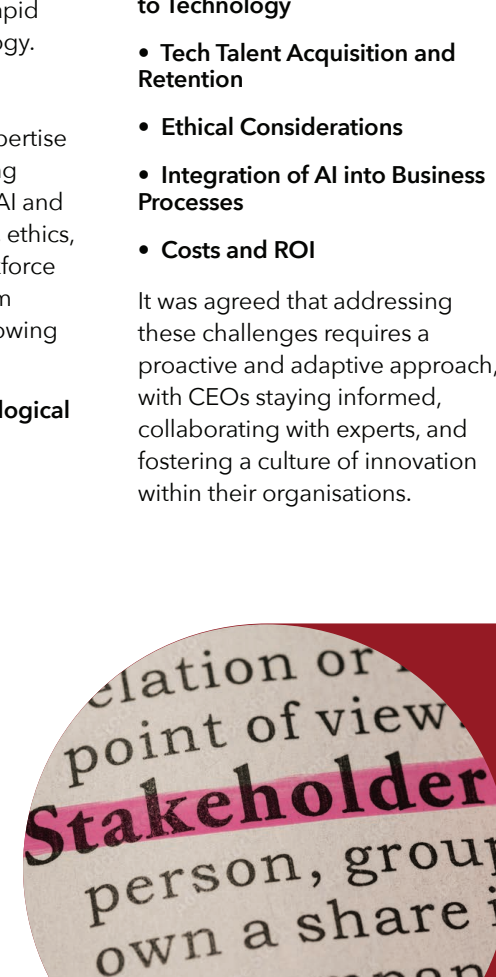
1 Workforce and culture - attracting, retaining and developing to ensure prosperity and diversity

Despite the well documented impact of AI and high-profile cyber-attacks, workforce and culture remain high on the CEO's agenda with our CEO respondents indicating that attracting, retaining and developing talent to ensure prosperity and diversity is their biggest challenge.

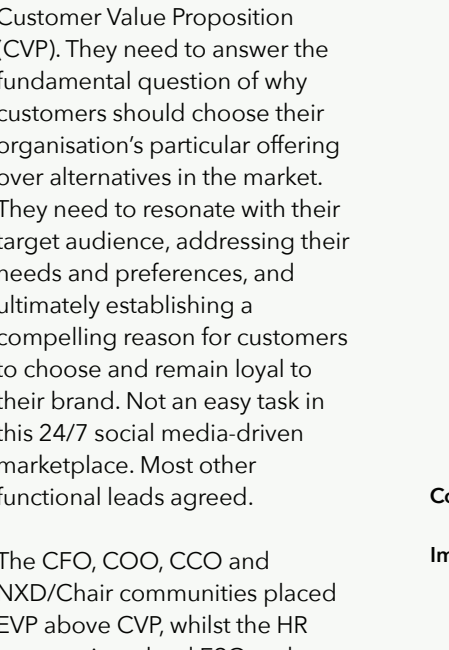
With increasing tech talent shortages, it was no surprise to see our CIO community agree with CEOs on attraction and development of niche skills as a major headache for CEOs; however, this was not the biggest challenge from the CHRO respondents who

were the only group to point to "Increasing scrutiny and managing reputation in a 24/7 news cycle & saturated social media world" as contributing just as much as workforce culture and balancing stakeholder needs.

Despite some slowdown in hiring compared to the first two years following the pandemic, CEOs still agree that a strong and compelling EVP aligned with the organisation's purpose and values is essential in order to enhance the organisation's reputation, and ultimately, contribute to its overall success.



2 Digital transformation and the accelerated pace of technological change



CEOs feel they are facing several challenges related to the rapid pace of change in technology. Our survey and follow-up roundtable discussions highlighted technology expertise as particularly vital, requiring CEOs to be well-versed in AI and its implications for strategy, ethics, business models, and workforce management; helping them overcome some of the following key challenges:

- Keeping up with Technological Advancements
- Cybersecurity Concerns

- Regulatory Compliance related to Technology
- Tech Talent Acquisition and Retention
- Ethical Considerations
- Integration of AI into Business Processes
- Costs and ROI

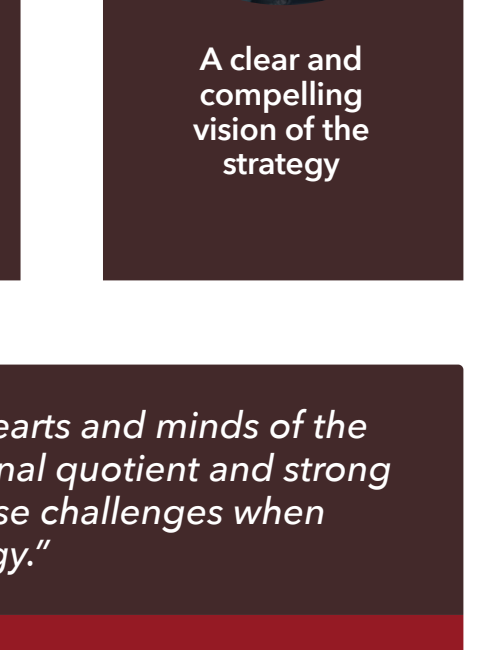
It was agreed that addressing these challenges requires a proactive and adaptive approach, with CEOs staying informed, collaborating with experts, and fostering a culture of innovation within their organisations.

3 Balancing the needs of all stakeholders, demonstrating broader long-term value

Balancing the needs of all stakeholders and demonstrating broader long-term value has always been a complex task for CEOs. Our results highlighted the following focus areas for CEOs:

Stakeholder Engagement: CEOs need to actively engage with a diverse range of stakeholders - including customers, employees, investors, suppliers, and the broader community - with open and transparent communication.

ESG: CEOs are increasingly recognising the importance of sustainability. Implementing environmentally and socially responsible practices not only aligns with broader societal expectations, but also contributes to long-term business success by mitigating risks and ensuring the longevity of resources. Employee Wellbeing, Customer Satisfaction, Financial Stability, Innovation and Adaptability, Strategic Responsibility, Long-term Social Planning and Risk Management created the ever-growing list of plates to spin.

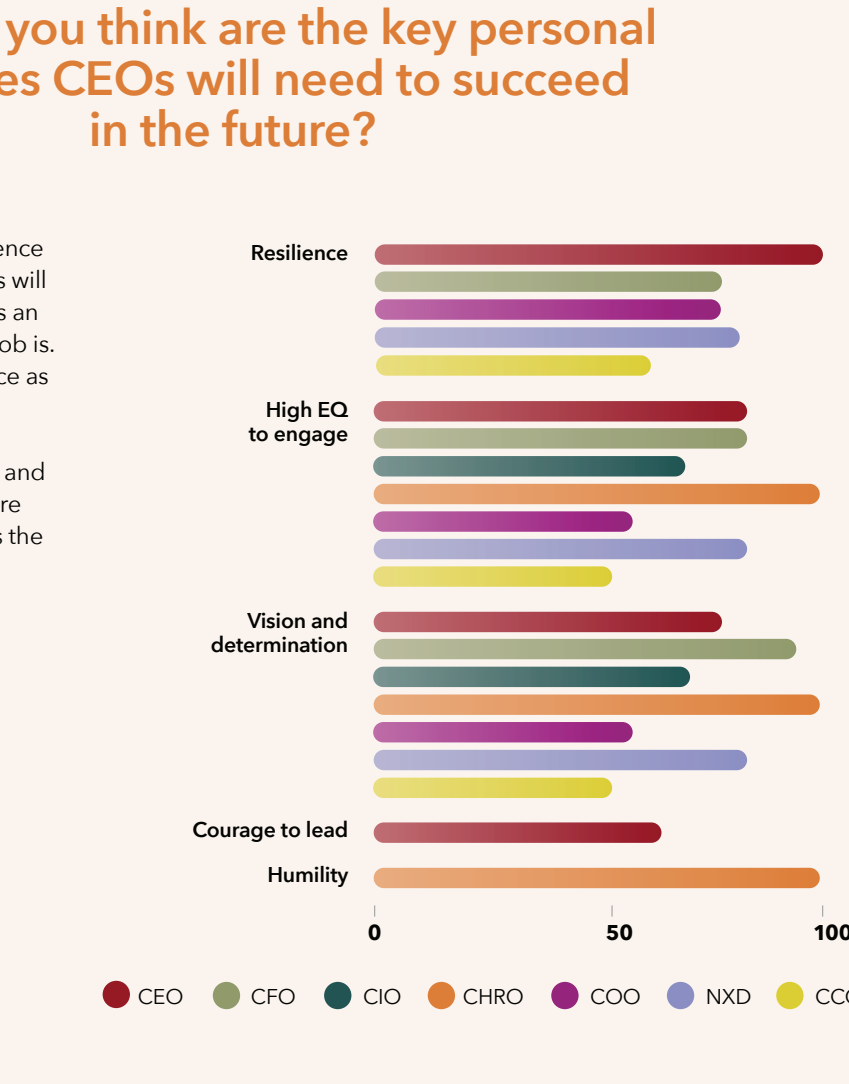


2

What are the key priorities moving forward?

Our CEO respondents are clear that their number one priority is Customer Value Proposition (CVP). They need to answer the fundamental question of why customers should choose their organisation's product offering over alternatives in the market. They need to resonate with their target audience, addressing their needs and preferences, and ultimately establishing a compelling reason for customers to choose and remain loyal to their brand. Not an easy task in this 24/7 social media-driven marketplace. Most other functional leads agreed.

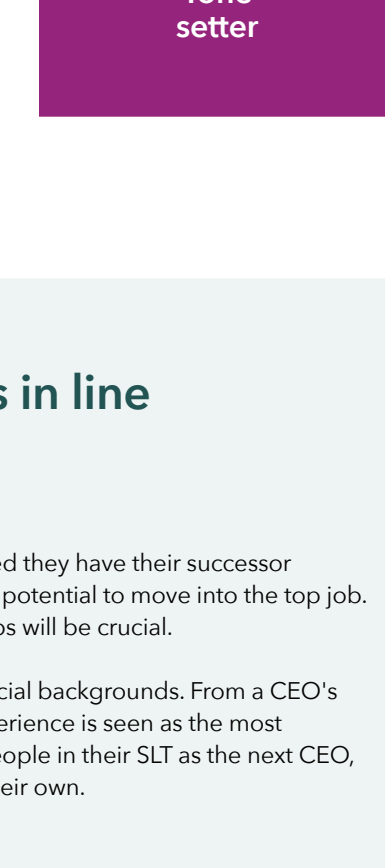
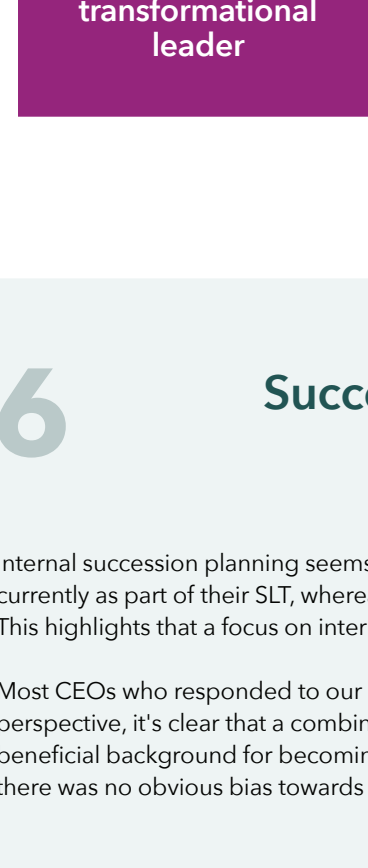
The CFO, COO, CO and NXD/Chair communities placed EVP above CVP, whilst the HR community valued ESG as the top priority.



3

What are the challenges future CEOs will have when executing their strategy?

The CEO's top three answers...



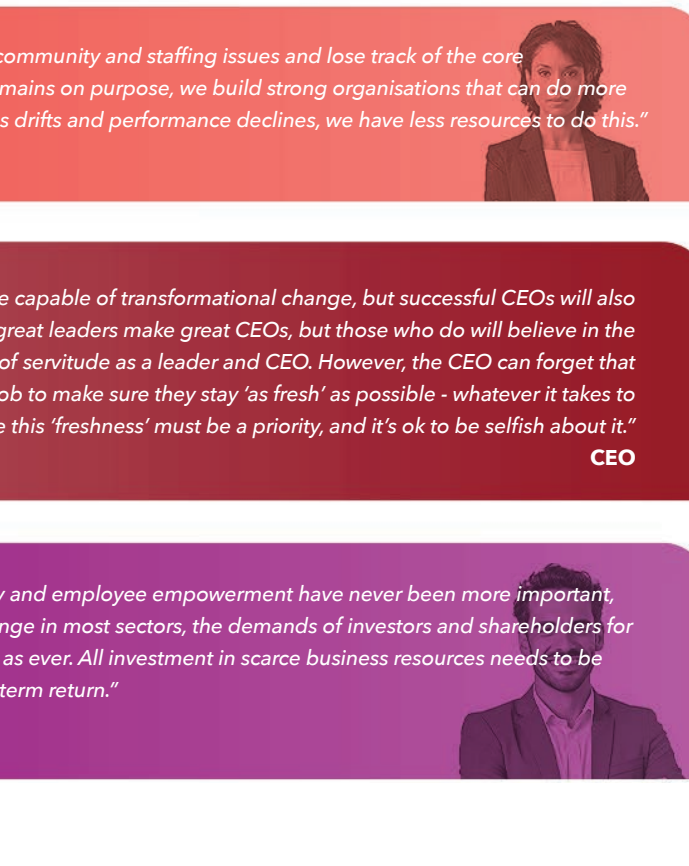
"It takes a certain type of leader to win hearts and minds of the workforce. They will require a high emotional quotient and strong communication skills to overcome these challenges when executing their strategy."

4

What do you think are the key personal attributes CEOs will need to succeed in the future?

Our CEO respondents selected Resilience as the number one attribute that CEOs will need to succeed in the future, perhaps an indication of how tough they feel the job is. COOs and CCOs also placed Resilience as number one.

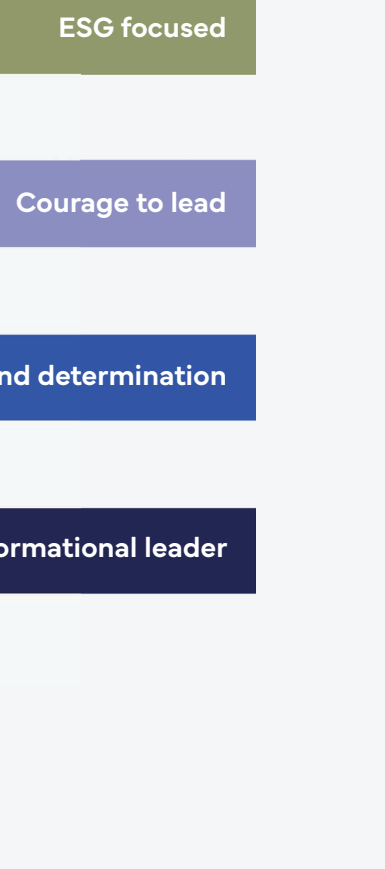
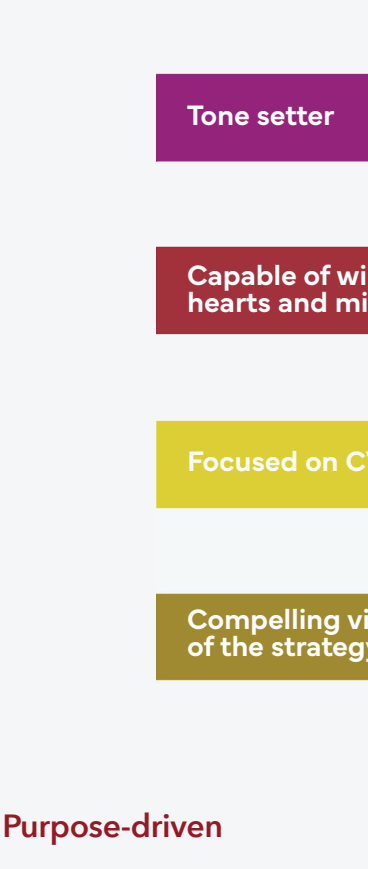
All functional groups felt that High EQ and Vision were important. The CHROs were the only group to highlight Humility as the top attribute for future success.



5

What do you believe will be the most important characteristics for the role of the future CEO?

The CEO's top three answers...



"I am a believer that different scenarios will change the priorities for a CEO. It is also important to understand the strengths and weaknesses of the CEO (no one is perfect at everything), so that the right supporting team can be put in place. The balance between the CEO and their team is something that Non-Execs, and the Chair in particular, should focus on. This includes ensuring good diversity across the team."

"I do think that the role of CEO needs to be viewed from a futuristic perspective - what is needed for the future and how do we ensure individuals are developed to be able to take on that role, regardless of their discipline or gender."

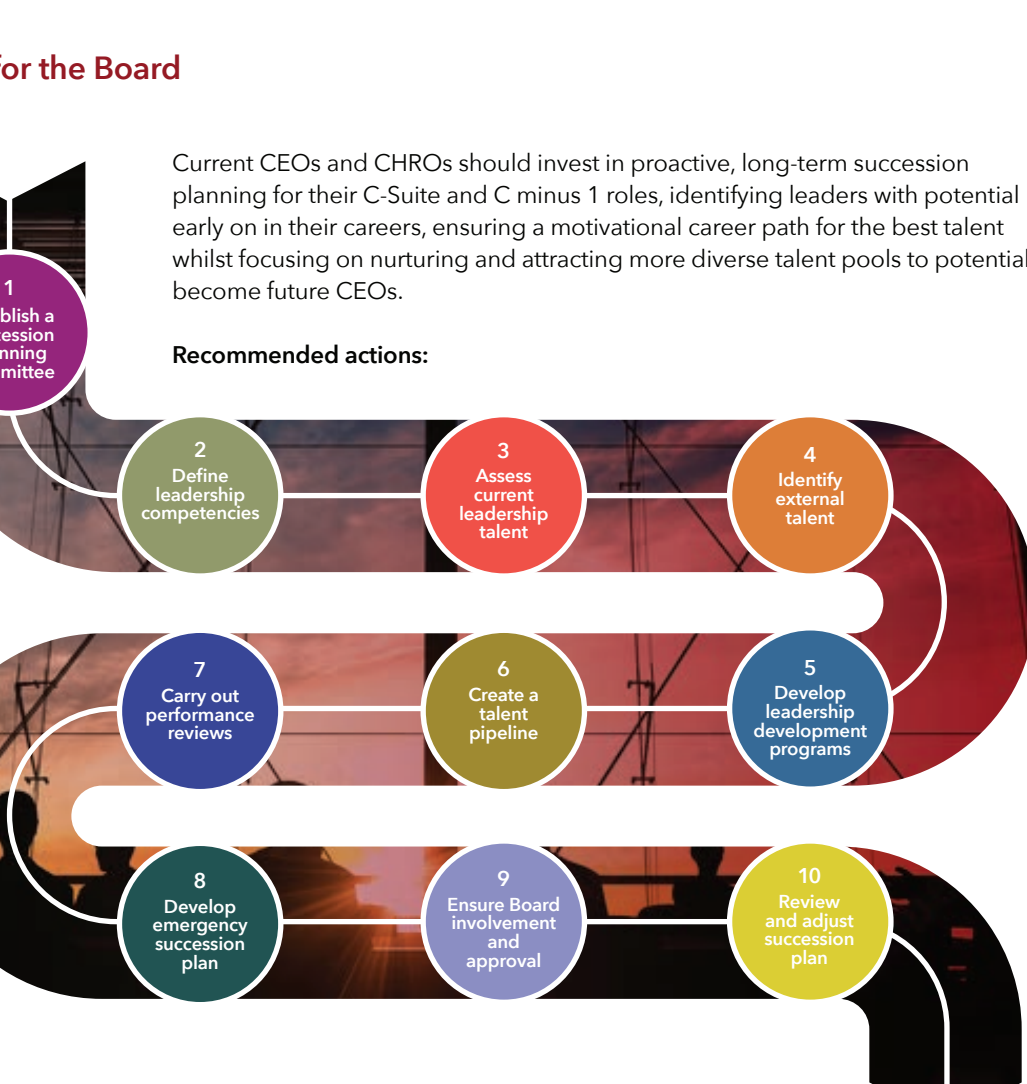
"There is a danger that CEOs get too caught up in company and staffing issues and lose track of the core purpose/mission of the organisation. If the focus remains on purpose, we build strong organisations that can do more to support employees and communities. If the focus drifts and performance declines, we have less resources to do this."

"A CEO will always need the courage to lead and be capable of transformational change, but successful CEOs will also need to be resilient. Not all great leaders make great CEOs, but those who do will believe in the power of 'we' and understand they will live a life of service as a leader and CEO. However, the CEO can forget that they are the 'special ingredient' and it is their job to make sure they stay 'as fresh' as possible - whatever it takes to achieve this 'freshness' must be a priority, and it's ok to be selfish about it."

"Whilst the perceived 'sober' areas of ESG diversity and employee empowerment have never been more important post Covid and with huge technology-enabled change in most sectors, the demands of investors and shareholders for appropriate levels of return remain as fundamental as ever. All investment in scarce business resources needs to be rigorously measured in terms of medium and long-term return."

SUMMARY

The future CEO...



Purpose-driven

Our analysis of how leadership styles of CEOs have trended in the last few years and commentary from our survey confirms the move away from the traditional top-down style. There is a growing recognition that a sense of purpose can inspire and motivate both leaders and employees, fostering a more engaged and dedicated workforce.

Organisations with a clear and meaningful purpose tend to attract and retain talent more effectively, and consumers and investors are placing greater importance on corporate social responsibility and ethical practices. CEOs adopting purpose-driven leadership styles align well with these expectations, contributing to enhanced reputation and brand value.

Functional expertise

Rather than time spent in a particular industry or job function, it is now more critical to accumulate a range of relevant experiences and attributes such as resilience, vision and determination. However, our research and commentary from events did highlight two functional groups that were well-matched with the future CEO and have perhaps not been widely considered before: the Chief HR Officer with good operational experience and the Chief Supply Chain Director.

While the role of a CEO has always been demanding, contemporary challenges such as AI, ESG and increased stakeholder expectations may contribute to an overall perception that the job is becoming more difficult. Success in the role often requires a combination of strategic vision, adaptability, effective leadership, and a deep understanding of the business landscape.

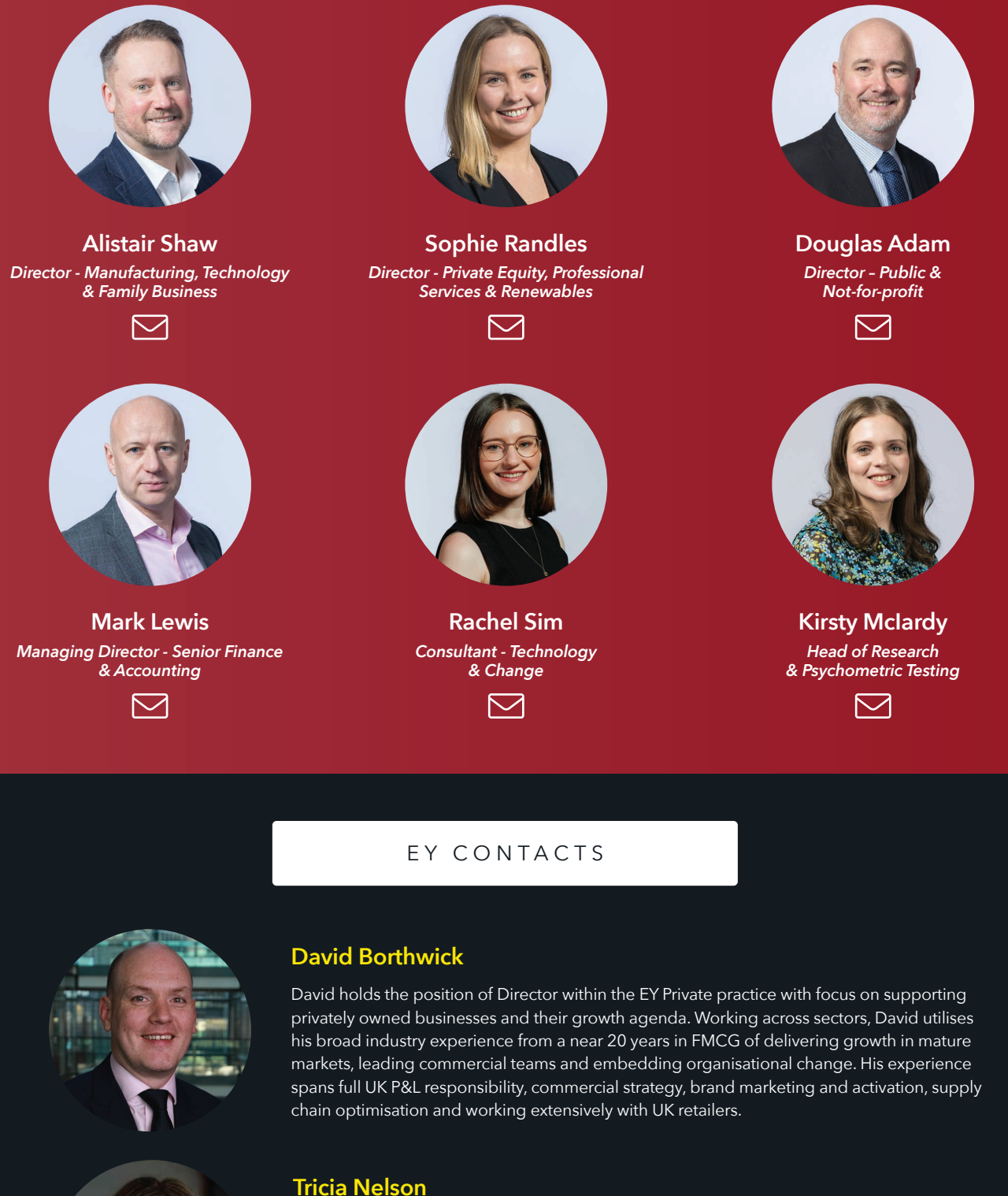
It is the responsibility of the Chair and the Board to develop the future CEO with the new required qualities in mind and with more focus on the internal talent coming through.

SUCCESSION PLANNING

Actions for the Board

Current CEOs and CHROs should invest in proactive, long-term succession planning for their C-Suite and C-minus roles, identifying leaders with potential early on in their careers, ensuring a motivational career path for the best talent whilst focusing on nurturing and attracting more diverse talent pools to potentially become future CEOs.

Recommended actions:



1. The Board may form a committee responsible for overseeing the succession planning process. This committee often includes key Board members and may involve external advisors or consultants with expertise in executive search and leadership development.
2. The Board identifies the key leadership competencies and skills necessary for the future CEO role. This will include strategic vision taking into consideration the points raised from this survey.
3. Evaluate the existing leadership team to identify potential internal candidates. This assessment involves considering performance, potential, and alignment with the organisation's strategic goals.
4. In addition to assessing internal candidates, the Board may also explore external candidates. This could involve engaging executive search firms to identify qualified individuals who may be a good fit for the organisation.
5. Implement leadership development programs to groom potential successors. This may include mentoring, training, and exposure to different aspects of the organisation to ensure that potential leaders are well-rounded and prepared for the CEO role.
6. Foster a culture of talent development within the organisation, ensuring that there is a continuous pipeline of potential leaders at various levels. This reduces the risk of a leadership vacuum in case of unexpected departures.
7. Conduct regular performance reviews for top executives and provide constructive feedback. This helps individuals understand their strengths and areas for improvement, contributing to their professional development.
8. Develop a contingency plan in case the CEO position becomes vacant unexpectedly. This plan may involve interim leadership arrangements or the appointment of an acting CEO while a more comprehensive search is conducted.
9. The Board plays a key role in approving the succession plan and should be actively involved in the selection process. Transparency and communication with Board members are crucial throughout the succession planning process.
10. Regularly review and update the succession plan to adapt to changes in the organisation's strategy, industry dynamics, and leadership needs. Flexibility is important to ensure the plan remains relevant.

CONTACT US



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If you are interested in hearing more about our research on the future CEO or how we can support your Board to proactively plan for CEO succession, please get in touch with our team: E: enquiries@livingstonjames.com T: 0131 220 2209 or 0141 375 7333

