

REPORT

Route to the Top

Today's CEO: The growing importance of character, learning, and leading in a contested world



Our deep dive on CEO trends is available here:



Explore the data >

For many years, Heidrick & Struggles has carefully studied the paths leaders have traveled on the journey to becoming CEO. Our research highlights trends related to functional experience, age, tenure, race or ethnicity, gender, and education; we've looked at how journeys differ by industry, geography, and size of company; we've observed shifts in whether companies promote from within or hire from the outside; and more.

One thing our *Route to the Top* research points to is the importance of well-rounded experience. If you are a commercial leader, a stint in finance and investor relations is helpful. If you are a finance executive, time spent with customers and managing a commercial P&L is beneficial. And experience in the functions and geographies most material to the long-term success of the business always helps, of course. Our data also reflects the world around us: longer-term trends toward greater diversity, short-term pivots in response to difficult economic environments, and more.

But while this data provides useful insight, it does not adequately capture the growing importance of *motivation, character, learning, and leadership* in the CEO selection process. The route to the top is more than a set of statistics; it is about the personal journeys these leaders follow and the governance systems that ensure their success.

So, in what follows, we go beyond the observable data to take a closer look at the personal qualities and specific leadership skills demonstrated by successful candidates. What drives them to engage as an internal or external candidate for the top role? What can boards learn about candidates' character during the succession process? How open are candidates to learning new ways of leading? In an age where more is at stake, more is uncertain, and more is expected of the CEO, and when strong undercurrents of division and polarization can threaten organizational and market progress, what specific skills are required of CEO candidates?

Finally, we examine the role the governance environment plays in encouraging and supporting the development and selection of a new CEO—and, ultimately, the success of the organization.



Motivation beyond themselves

Why do the most effective CEO candidates pursue the top leadership position in the first place? Some aspire early in their careers to be a CEO. They possess a strong achievement drive and a personal desire to steer the ship. This is an archetype that receives a lot of attention. But today, the most effective leaders we see are those who did *not* aspire to the role. They were motivated from an early stage by the work itself. They love what they do; they do what they love; and it shows.

Vicki Hollub did not aspire to be CEO. She was focused on a career in engineering and operations when she was encouraged by then-CEO Steve Chazen to consider the top role at Occidental Petroleum. Under her leadership, Occidental has attracted the attention of long-term investors and has repeatedly been named the most admired company in its sector.¹

Bill Thomas did not aspire to be CEO. He was a geoscientist focused on industry-leading innovation at EOG Resources. A deeply shy person, Thomas's determination and authentic style drew the attention of the EOG board and founder Mark Papa, and Thomas was asked to consider the role. He has since quietly and effectively led perhaps the most successful company in the shale oil sector in North America, more than quadrupling the value of the company during his 10-year tenure.

Corie Barry did not aspire to be CEO—that is, not until Sharon McCollam arrived as Best Buy's CFO to assist then-CEO Hubert Joly with the turnaround of the electronics retailer. With the support of a workforce who knew her to be engaged at every level in the organization, Barry was encouraged by McCollam and Joly to take on broader responsibilities in Best Buy's transformation and consider the path to CEO. She was named CEO in 2019, just in time to successfully guide the company through the Covid-19 pandemic.²

These leaders focused on contributing in their current roles and on leaving the departments and groups they led in better shape and in the capable hands of others they had championed. In well-governed companies, such commitment attracts the attention of the board, senior leaders, and *the support of those deeper in the organization*. As a result, leaders of this type are increasingly encouraged to consider CEO service as one possible way to increase their contributions.

We are not suggesting that the most effective leaders aren't ambitious or don't aspire to the role once engaged, but this is not where most start. In a world where employees, customers, investors, and the broader community are demanding access and influence and where hierarchical trust structures are being challenged, the CEO must be seen to lead in service of those communities—and not their own ego. In well-governed organizations, those clamoring for power are weeded out.

Our colleague Les Csorba, who has worked with CEOs and boards for decades, put it this way: "Leaders on the road to succession understand that there are two main characters in the leadership story—the hero and the guide. In our current environment, the best leaders in this story innately understand that they are never the hero but always the guide. They are committed to something bigger than themselves."

¹ Alan Murray and Ellen McGirt, "Occidental's Vicki Hollub on what future CEOs need to know before moving into the C-suite," *Leadership Next* podcast, *Fortune*, April 5, 2023, fortune.com.

² Phil Wahba, "How Best Buy's Corie Barry went from being seen as 'a risk' at the company to its CEO," *Fortune*, October 23, 2019, fortune.com; and Catherine Roberts, "New CEO Corie Barry moved upward for two decades at Best Buy," *Seattle Times*, April 21, 2019, seattletimes.com.

Character during the transition

Those who ultimately do best in the CEO role possess a steady character, with values rooted in what is best for the organization and trust that their personal best use will follow. This is especially apparent during the succession process, which is now frequently measured in months and years. The most successful candidates do not change their colors during transitions that typically include multiple candidates. When approached to consider the role, they openly discuss their own apprehensions and gaps with the board. They challenge their candidacy against the backdrop of the organization's long-term direction and needs. And ultimately, they cultivate the support they will need from the board and others around them should they be appointed. But it is also important that this brand of leader is first to offer support to whomever is selected. They recognize that CEO succession is not about them. Moving forward, we should not assume the most capable leaders will leave to pursue CEO opportunities elsewhere if not selected. Many are comfortable being considered, and inspired and humbled by the possibility, but they are also grateful for the opportunity to serve in other ways if a more appropriate candidate is selected.

More is expected of CEOs now. Character is critical, and it is under the microscope during the succession process. How candidates carry themselves during this period provides a window into how they will operate in the future.

Our colleague Marie-Hélène De Coster explains, "The most effective CEOs today operate like conductors. They are comfortable playing a lead role, but their real impact is in drawing out the relative strengths of each member of the orchestra. This is only possible if they have a keen view of their own abilities, the vulnerabilities of others, and a genuine caring for the contribution of the whole. These qualities shine brightly or fade in CEO candidates during the succession process."

Learning to lead—all over again

The expanding role of the modern CEO³ is turning old assumptions about CEO power on their heads. In an era where the influence and demands of investors, employees, and others are growing, positional power is rendered useless. Unless the company is in a total crisis turnaround, the CEO job requires the influencing skills of a diplomat.

People ascending to CEO who expect to be at the top of their power—by simply harnessing everything they have learned along the way—may, in fact, be less prepared than those who can listen, operate with openness, and learn new influencing and coaching skills as the role morphs around them.

Our colleague Atif Sheikh, the CEO of businessfourzero, observed, "In the modern world, expectations of the CEO role are multi-dimensional and increasing every year. As the 'chief everything officer,' you are almost certainly living in a perpetual fog. The only way through this is to have a high-listening, high-learning, high-courage orientation."

The experience of Keith Barr, who spent 30-plus years learning the global hospitality industry inside out, honing and developing his leadership skills at IHG Hotels & Resorts around the world, highlights the power of continuous learning. Keith found that nothing had prepared him for what he faced following his appointment as CEO, in 2017. Acute competitive pressure was increasing, and the company's asset-light strategy—which had freed capital through large hotel property sales—had run its course, meaning a big strategic pivot was needed to compete and grow. On top of that, the business faced accelerating demands from stakeholders in the areas of sustainability; was shortly thereafter

³ Tim Gallagher and Jeremy Hanson, "CEO and board succession in the age of impact," Heidrick & Struggles, heidrick.com; *Route to the Top 2022*, Heidrick & Struggles, heidrick.com; and "CEO and board confidence monitor: A worried start to 2024," Heidrick & Struggles, heidrick.com.

hit with global shutdowns and restrictions from the Covid-19 pandemic; and had to navigate growing geopolitical uncertainty in regions critical to IHG's future.

So, even though Keith's expertise was at its peak, he was faced with situations he had never experienced. He needed to draw on others' wisdom, and it was his listening, learning, and purposeful communication skills that he leaned on most. The result? Through a major transformation program across all aspects of the business, he spearheaded the company's strongest in a decade—market-leading growth—while significantly increasing profitability and shareholder returns. Keith turned over the reins to his designated successor in 2023, having led the strongest recovery from Covid-19 in the hotel industry and leaving a legacy of transformation and growth powered by a diverse, vibrant, and purposeful culture.

Leading across boundaries

As we enter 2024, one capability stands out above the rest: those who travel the route to the top today must demonstrate the ability to lead across the boundaries that divide us.

For more than 70 years, we have been tracking leaders and building models that capture the profile of successful leaders and CEOs, profiles shaped to meet the different needs of organizations and the eras in which these leaders operated. As we enter 2024, one capability stands out above the rest: those who travel the route to the top today must demonstrate the ability to lead across the boundaries that divide us. These boundaries not only are geographic but also reflect the traditions and beliefs of employees, customers, and owners. They can stretch across business units and functions within the organization and externally across sectors, competitors, and geopolitical lines.

Left unchecked, divisiveness eats away at culture, purpose, and performance. Understanding this risk, the most effective CEOs engage across even the most stubborn boundaries. Willingness to learn is at the core. Our colleague Jonathan McBride, who leads our Diversity, Equity & Inclusion Practice, believes: "Thinking across boundaries, silos, borders, generations, and timeframes is the role of the CEO more than anyone else in an organization. These divisions walk in each day. The question for the CEO is how to deal with them. Answering this question well requires humility and constant learning at exactly the time one is expected to be an expert, a classic miss as people become more successful. But, expertise in the new world is, in fact, *learning*—and the CEO needs to be best at that."

But, just as important, CEOs expect the same from their employees and the communities they serve. Well-governed boards are learning to recognize this skill and confirm that potential CEOs put their learning to use in all candidates boards consider for the CEO role. For example, boards may ask what evidence there is in the candidate's past that they have engaged across divisive boundaries to drive organizational performance and progress. Has the candidate established productive relationships—indeed, unlikely friendships—across these boundaries? Do the formal and informal systems and structures they use to lead invite and include the opinions of others? Can they set aside their own value systems and traditions as they consider what is best for the organization? And, when consensus is not possible, are they comfortable breaking ties?

Under Satya Nadella's guidance, Microsoft's value has increased by nearly 1,000%. Analysts point to the company's remarkable product and service innovation, but Nadella is clear: empathy and understanding, and working effectively across boundaries within and outside the company, drives innovation and continues to be at the heart of the company's success.⁴

In an age marked by stubborn divisiveness and polarization, only those leaders with a proven track record of engaging and leading across the boundaries that divide us are rising to the CEO role.

⁴ Orianna Rosa Royle, "Microsoft CEO Satya Nadella does not see empathy as a soft skill: 'It's the hardest skill we learn,'" *Fortune*, October 18, 2023, fortune.com.

Governing CEO succession—from part-time to full-time

At the center of the recommendations we have made is a shift we are witnessing in corporate governance, a shift focused on the process used to cultivate CEOs and directors. Traditional succession planning is giving way to a more continuous and broader set of selection, evaluation, development, and replacement activities for both the CEO and board designed to ensure that the company will be led and governed well against a fast-evolving societal backdrop, one that requires the right motivation, character, and leadership.

The need for greater investment in succession, at both the CEO and board levels, is reinforced now by myriad forces, including advances in shareholder access, the continuing rise of activism, regulatory attention, and director and CEO candidates who are insisting on improved discipline. Fundamentally, shareholders, and the expanding ecosystem to which corporations are now responsible, are demanding more—and will continue to do so.

A growing number of companies are investing in and disclosing stronger CEO succession practices. In a world where only two-thirds of large companies have written, formal succession plans for the CEO and their direct reports in place, the boards in these companies actively cultivate CEO and board talent on a continuous basis, over multiple time horizons, and in a process that is open to influence and scrutiny. Sitting CEOs and internal successor candidates now expect this approach in well-governed companies. Reactive fire drills are a thing of the past.

It is important to understand the objective data about the backgrounds of those who have traveled the route to the top. The data keeps us honest about the past, and it can provide insights, helping the board frame questions about development and selection. But data alone looks back in time and fails to capture the personal dimensions those prepared to successfully lead organizations in the future must have. Motivation, character, learning ability, and leadership are difficult to track in data tables, but they are carefully examined and confirmed in well-governed organizations.



Recommendations for board members

1. Audit and disclose current CEO succession practices.

Are your succession practices sufficient to give you confidence?⁵

Beyond relevant experience, do you examine the motivation, character, leadership skills, and learning agility critical to the CEO role now? How do your practices compare with companies that do this well? Are your CEO succession practices reflected in your disclosures? Do you engage with your largest shareholders on this question? Other stakeholders?

2. Build your bench.

Build a dashboard that identifies and tracks internal and external candidates, refreshed continually over multiple time horizons. This information should be available at any time, discussed at least quarterly by the nominating and governance committee, and reported at least annually to the full board. Don't forget the quiet or unlikely corners of the organization—your best candidates may well need encouragement.

3. Examine leadership capabilities carefully.

The right mix of business experience and the proven ability to drive business results is important but is now just a minimum requirement.

The distinguishing trademarks of successful CEOs now are having the humility to lead in an environment marked by constant learning and a demonstrated ability to lead across boundaries within and outside the organization. As a board member, push until you have surfaced candidates who have demonstrated these critical leadership capabilities.

4. Confirm character during the succession period.

Candidates for the CEO role are being examined over longer transition periods now.

Character is frequently tested. Do candidates stay focused on delivering in their current role, or are they easily distracted by the succession process itself? Are they threatening to leave if passed over? Are candidates candid about their own gaps and insecurities, or are they pointing to the same in others? As a board member, be alert to these dynamics, as they preview what you can expect from each as a CEO.



⁵ More than half of board members around the world whom we surveyed in November 2023 said theirs are not.

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CEO & Board of Directors Practice

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We pride ourselves on being our clients' most trusted advisor and offer an integrated suite of services to help manage these challenges and their leadership assets. This ranges from the acquisition of talent through executive search to providing counsel in areas that include succession planning, executive and board assessment, and board effectiveness reviews.

Our CEO & Board Practice leverages our most accomplished search and leadership consulting professionals globally who understand the ever-transforming nature of leadership. This expertise, combined with in-depth industry, sector, and regional knowledge; differentiated research capabilities; and intellectual capital, enables us to provide sound global coverage for our clients.

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