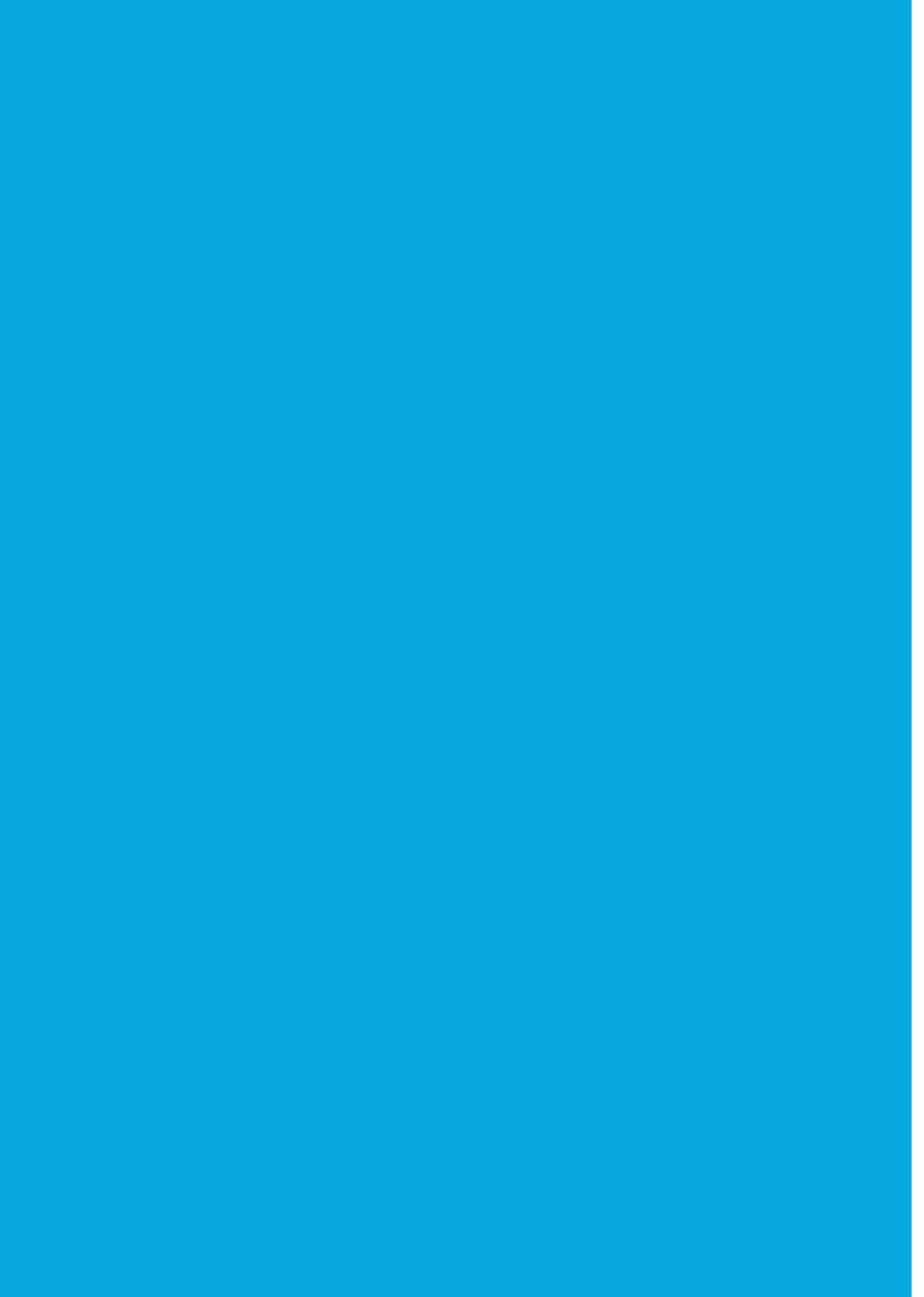


# ARE EUROPEAN CEOs FUTURE-READY?

## A Status Report on Europe's 600 Largest Corporations



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# Introduction

Navigating the complexities of global business today is a formidable task, made even more intricate by geopolitical shifts and economic divergences. In an ever-evolving geopolitical landscape marked by the power dynamics between the U.S. and China, European companies must skillfully chart their course. These complexities become palpable when analyzing the economic trends that have emerged since the 2009 financial crisis. The U.S. stock market, epitomized by the S&P 500, has consistently outperformed European benchmarks, offering returns that have effectively doubled those seen in Europe. This differential is evident across a range of sectors, including consumer goods, healthcare, technology, and utilities. The Fortune Global 500 rankings offer additional insights, illustrating a declining European influence. A decade ago, Europe boasted 21 firms in the top 50 and another 42 in the top 100; however, recent figures show a European presence that is now less than halved.

Moving beyond purely economic indicators, the current business environment can be described as a complex tapestry woven from societal dynamics, technological innovations, and geopolitical intricacies. Within this multifaceted landscape, European CEOs—leaders of some of the world’s most influential corporations—find themselves in roles of escalating importance. The expectations for CEOs have undoubtedly evolved, now requiring a form of adaptive leadership capable of steering through unprecedented disruptions, managing vast organizational and environmental complexities, and skillfully navigating an unstable geopolitical landscape. Added to these challenges is the urgent need to build inclusive, purpose-driven organizations that resonate with an increasingly demanding and discerning workforce. **In light of these transformative changes, a pressing question looms large for corporate boards and stakeholders alike: Are European CEOs adequately equipped and prepared for the future?**

To explore this, we carried out extensive empirical research on the 600 largest publicly listed corporations in Europe across 14 countries. We examined the life histories and career paths of approximately 1,350 CEOs. Drawing from key indicators in previous strategic leadership studies<sup>1</sup>, our goal was to provide a holistic view of the strengths and potential pitfalls in the CEO profiles of Europe’s leading publicly listed corporations in relation to the following specific strategic challenges:

## 1) Leading Through Disruptive Change:

In an era where disruptive forces constantly buffet companies, we assess the extent to which CEO profiles are poised to navigate and harness these changes for competitive advantage.

## 2) Effectively Managing Organizational Complexity and Ecosystems:

As the complexity of organizations and their ecosystems has grown, we explore how ready CEOs are to manage and leverage these complexities.

## 3) Navigating Geopolitical Challenges and Seizing Opportunities in International Markets:

As global power dynamics shift and trade battles intensify, we evaluate the readiness of European CEOs to steer their corporations through this maze.

## 4) Creating a Purposeful and Inclusive Organization:

In an age where the workforce demands more than just remuneration, we assess the capabilities of CEOs in leading purpose-driven, inclusive organizations.

Our overarching findings underscore a duality; while there has been commendable progress in certain areas, distinct gaps remain in others, and these disparities further vary across European markets:

More specifically, over the 13-year period from 2009 to 2022, there has been a steady increase in European CEO preparedness concerning strategic challenges in managing organizational complexities and ecosystems. Furthermore, CEO profiles have shown adeptness in both navigating challenges and seizing opportunities in international markets. However, we found limited advancement in CEO profiles indicative of readiness to lead through disruptive changes and cultivate purpose-driven, inclusive organizations.

Interestingly, in Germany, which boasts Europe's largest economy, CEO profiles appear to lag behind the European average in readiness for three out of the four strategic challenges. However, when it comes to cultivating purposeful and inclusive organizations, German CEOs outshine their counterparts in other major European countries, including the UK, France, Italy, and Spain. Conversely, UK CEOs are notably better prepared to address the initial three challenges compared to their European peers. In contrast, the readiness scores of Spanish CEOs as a collective are consistently lower in comparison to other counterparts in every challenge.

The subsequent sections will delve into detailed discussions on each strategic challenge, outlining the necessary CEO capabilities required to tackle them. We also present trend analyses showcasing shifts in the main individual background and experience markers, indicating specific CEO readiness for each challenge. Lastly, in each section the report provides an average European assessment and cross-country analysis, shedding light on overall preparedness trends for these specific challenges.

# Strategic Challenge 1: Leading Through Disruptive Change

The first challenge we address is „Leading Through Disruptive Change.“ In today’s business landscape, companies contend with an array of formidable disruptive forces, ranging from emerging competitors and digital technologies to regulatory changes. Furthermore, global supply chains have proven vulnerable to disruptions, and consumers now wield unprecedented influence, with sustainability considerations at the forefront.

As we look to the future, it becomes evident that the future promises even greater disruption. In this forthcoming era characterized by an accelerated pace of change, the capacity to navigate and thrive amidst disruption will not merely be an imperative for corporate leaders; it will be the defining trait that distinguishes the successful from the rest.

This heightened state of turbulence necessitates more than just resilience; it demands the continuous reinvention of business models. Survival and prosperity in the face of these disruptive threats hinge on a multifaceted skill set. CEOs must possess not only **the ability to think creatively** but also to **infuse fresh perspectives and innovative ideas** into their organizations. They must **exhibit adeptness in creative problem-solving** and the **agility to swiftly pivot and adapt** in response to the unrelenting currents of change. The future of business leadership lies in mastering these skills to not only weather the storm of disruption but to harness its power for sustained success.

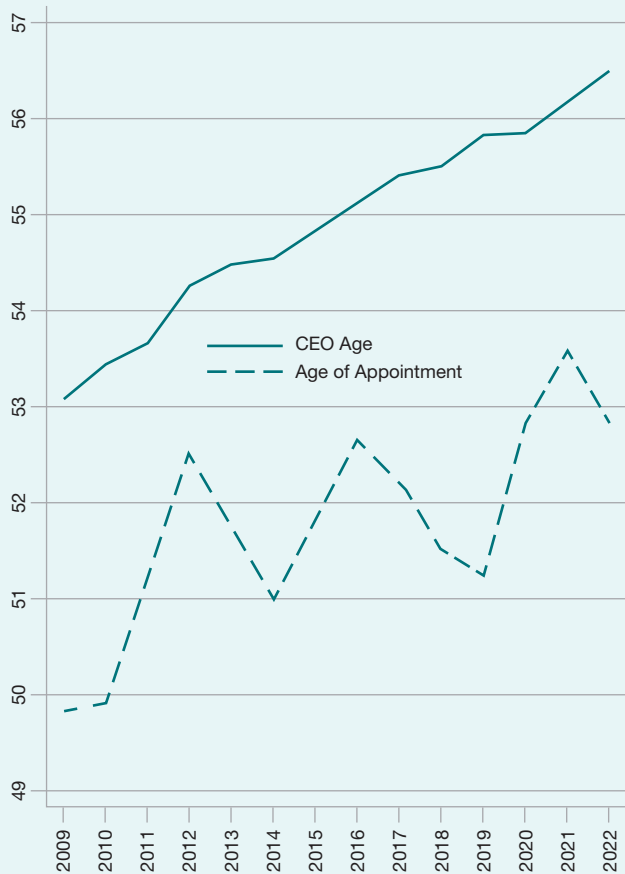
**To what extent are today’s CEOs equipped for such a future?**

We will start by examining the average CEO age and average CEO tenure in years within CEO cohorts. Both CEO attributes are negatively correlated with their capacity to lead through disruptive change. With time, more experienced CEOs might become firmly rooted in their established approaches to thinking and conducting business. Consequently, younger CEOs may be more inclined to actively seek out fresh ideas and alternative viewpoints, fostering a broader perspective. Their relative novelty in leadership roles may make them more open to change, as they are less entrenched in the status quo. Furthermore, younger CEOs may have a better grasp of current industry trends, consumer preferences, emerging technologies, and sustainability considerations due to their closer connection to contemporary dynamics.

Similarly, CEOs who have been in their roles for a long time tend to become deeply entrenched in the company’s culture, practices, and historical approaches. They may be less inclined to consider new and unconventional ideas, believing that they have seen it all and know what works best. This resistance to fresh thinking can result in tunnel vision. CEOs who have been in their roles for an extended period may develop overconfidence in their abilities and decisions. This overconfidence can lead them to believe that their way of doing things is the only right way. CEO tenure also typically positively correlates conformity to industry norms, and industry average performance.

Please consult Figure 1 for average CEO age and age at CEO appointment. In Figure 2, we depict the average CEO tenure over time.

**Figure 1: CEO Age and Age at Appointment**



**Figure 2: Average CEO Tenure**

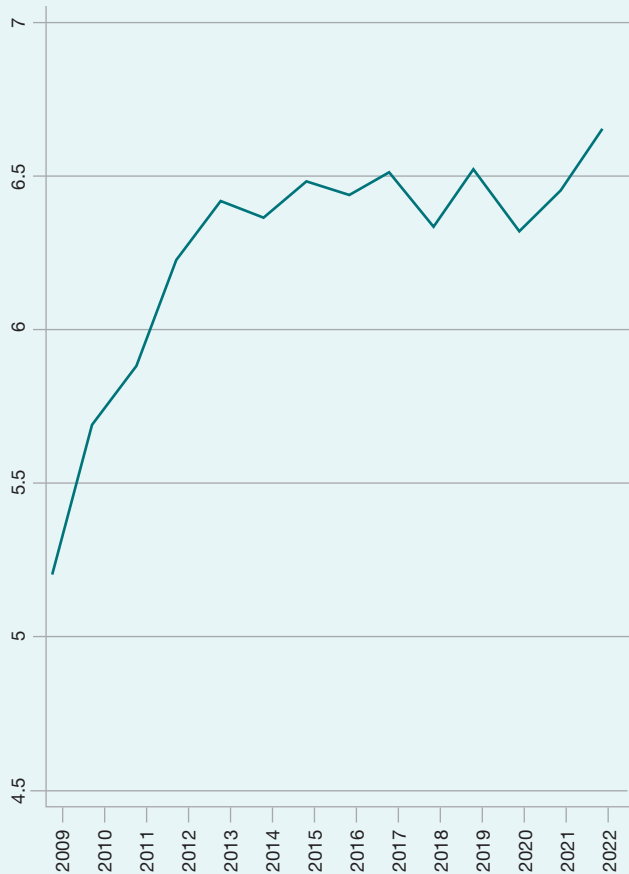


Figure 1 clearly illustrates a consistent and gradual increase in the average age of individuals. This trend implies that present-day European CEOs tend to be, on average, older than their predecessors. Furthermore, while less consistent, we also note an upward trend in the average age of CEOs at the point of their appointment. This suggests that over time, individuals selected for CEO roles tend to, on average, be older.

Figure 2 illustrates a consistent and positive trend in average CEO tenure, reaching its highest point at 6,8 years for the 2022 cohort. This finding indicates that CEOs are staying in their positions for longer durations compared to previous years. Although this may suggest an improvement in terms of leadership continuity, when combined with the selection of older CEOs, it accentuates signs of potential challenges in effectively navigating through disruptive changes.

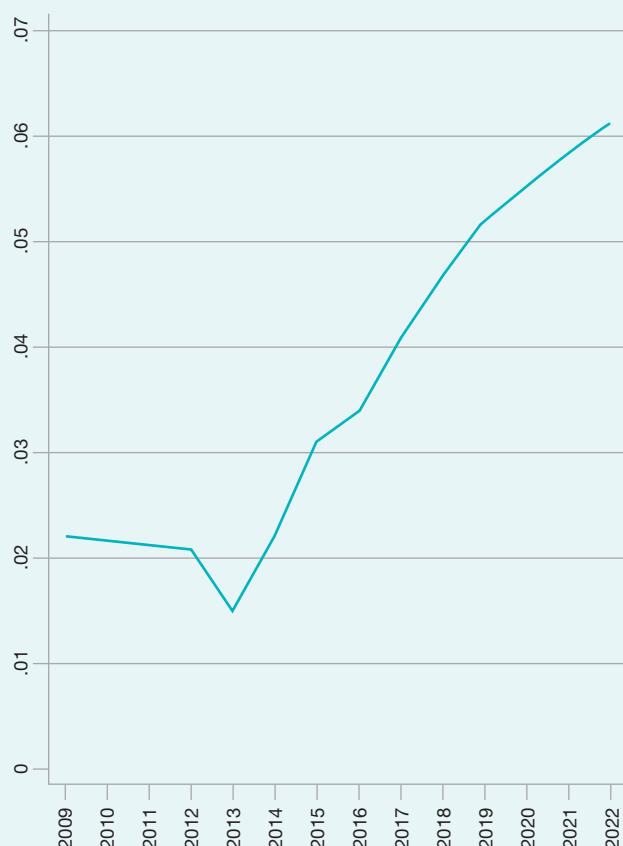
In the next two figures, we further analyze the collective ability to lead through disruption by examining two other critical dimensions. The first one is gender diversity, which is depicted in Figure 3. Women often bring a diverse set of leadership qualities to the table. These attributes can facilitate more agile responses to rapidly changing environments. Additionally, increased gender diversity at the leadership level fosters a broader range of viewpoints and innovative solutions, helping organizations adapt and thrive in the face of challenges.

The insider-outsider classification is the fourth dimension. Outside CEOs bring new and often unconventional viewpoints to the organization. They are not bound by the existing corporate culture or preconceived notions, enabling them to see opportunities and challenges from a different angle. They are not emotionally attached to past decisions, making them more willing to radically transform the organization and devise innovative solutions.

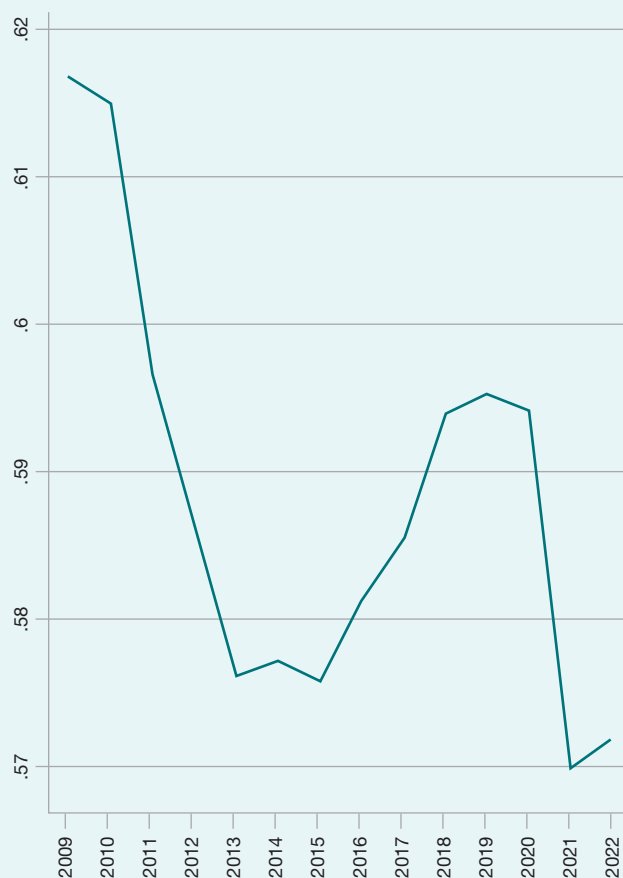
Accordingly, Figure 3 illustrates a steady and positive increase in the ratio of female CEOs to male CEOs, with a slight dip in the early 2010s followed by a significant increase. The percentage of female CEOs surged by nearly threefold during this period. However, it is important to note that even with this progress, female CEOs accounted for only slightly above 6% of all CEOs in our sample by 2022. This relatively low percentage indicates that the advancements made towards gender diversity at the CEO level have been incremental and have not yet resulted in substantial representation.

Figure 4 illustrates the percentage of CEOs in each cohort who were promoted from within the company, highlighting internal ascensions to the CEO position. There is a notable trend towards increasing external CEO appointments over time, especially when compared to earlier periods. On average, four out of every ten CEOs were recruited from outside the organization. This trend emphasizes the boards' growing preference for choosing external CEOs. While this suggests boards are searching for CEOs capable of implementing significant changes, the majority of CEOs remain internal promotions.

**Figure 3: % of Female CEOs**



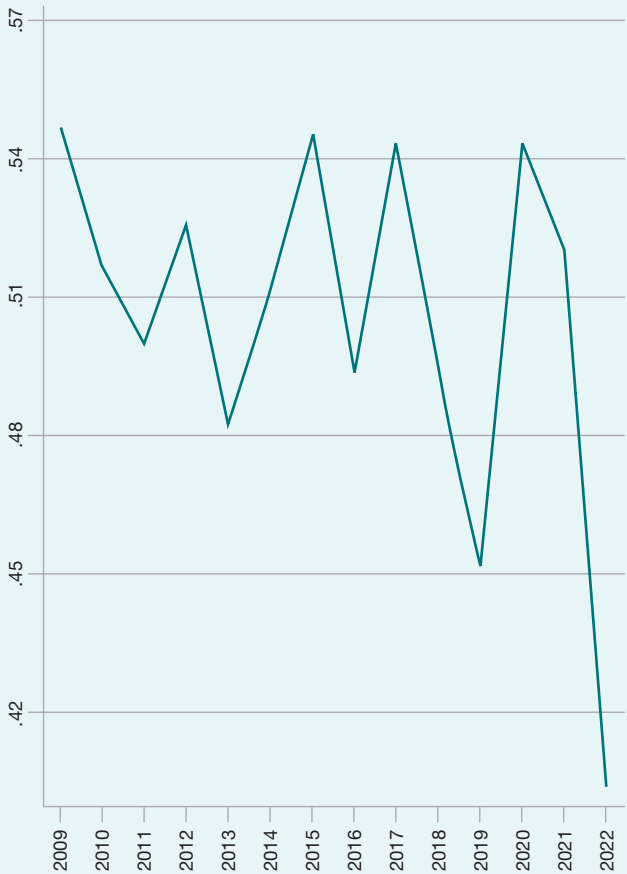
**Figure 4: % of Insider CEOs**



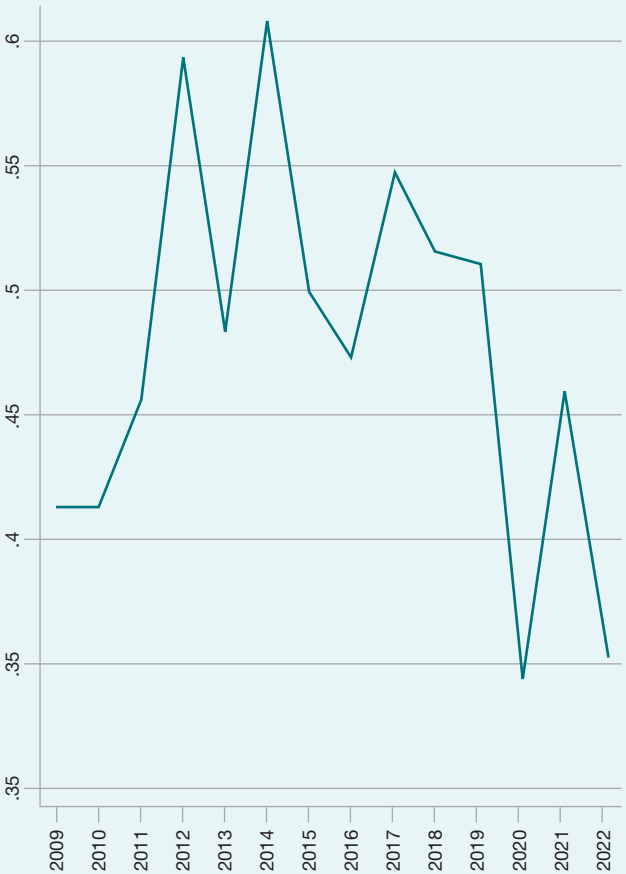
Our data provides further insights into the insider-outsider dynamics of new CEO selections. In Figure 5, we specifically focus on the annual appointments of CEOs, showing the percentage that are internal promotions. This complements the trend seen in Figure 4, where there's a decline in new insider CEOs, a trend that has been more pronounced in the last three years. This observation should be contextualized with the relatively higher frequency of CEO turnovers in Europe, indicated by the average CEO tenure being less than seven years. Previous research suggests that outsider CEOs, appointed during challenging times such as periods of underperformance or after short tenures of their predecessors, often struggle to implement fundamental changes. Thus, a rise in outsider CEO appointments shouldn't be directly equated with an enhanced ability of companies to navigate transformative shifts.

In Figure 6, we focus on outsider CEOs and provide insights into their backgrounds concerning prior roles, specifically whether they held a CEO position previously or not. Notably, there was an initial surge in the percentage of outsider CEOs with prior CEO experience between 2009 and 2018. However, in the past three years, there has been a noticeable decline in the preference for CEOs with prior CEO roles elsewhere. This implies that while boards are increasingly seeking external candidates for CEO positions, these roles are now more frequently filled by individuals who do not have previous CEO experience. This, in turn, indicates a diminishing capacity for leadership, particularly in navigating effective responses to disruptive forces.

**Figure 5: % of Newly Appointed Insider CEOs**



**Figure 6: % of Outsider CEOs with CEO Experience**



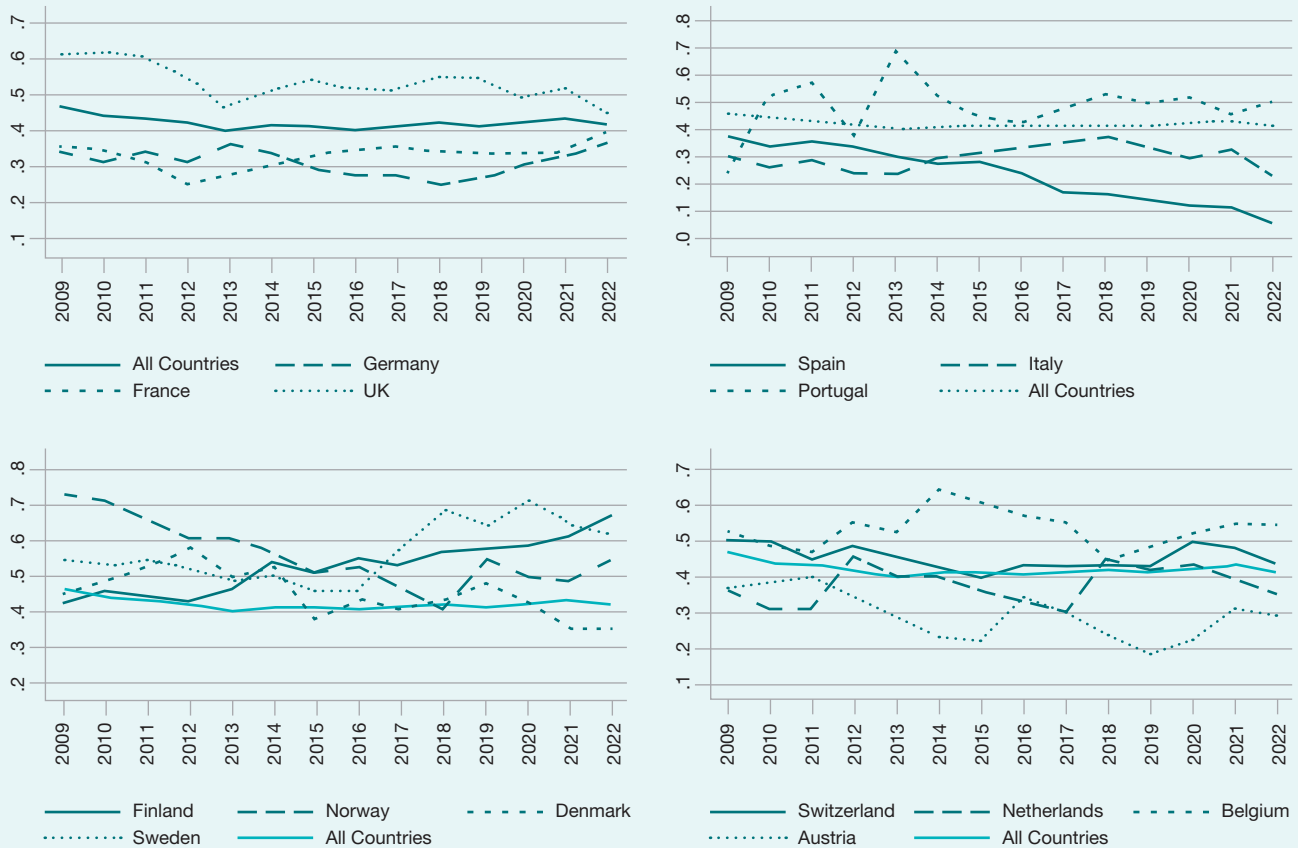


Let's revisit our inquiry: **How well-prepared are today's CEOs for a future marked by relentless disruption from various directions?**

The evidence suggests that preparedness is incomplete. We've pinpointed three significant CEO trends that compromise this readiness: the rising age and tenure of CEOs, combined with the slow advancement towards gender diversity. On a positive note, there's an increasing openness to external hiring. Yet, it's crucial to highlight that many of these external hires seem to be made during times of corporate instability, and these individuals often do not possess previous CEO-level experience. Overall, while certain indicators suggest some improvement in CEOs' capability to steer changes, the comprehensive outlook urges caution when forecasting their ability to execute pivotal organizational shifts in the face of disruptive environmental challenges.

Up to this point, we've evaluated the readiness of European CEOs collectively. Notably, our study covers fourteen countries, revealing significant diversity in CEO profiles and career trajectories. Therefore, it is essential to take a closer look at each country to highlight critical differences. To achieve this, we have developed country-level indices for each challenge, reflecting the readiness of CEOs within that specific country. These indices were constructed based on the most crucial dimensions identified in scholarly research, and our analytical methodology is outlined in the Research section at the end of this report. Importantly, these indices are derived from standardized data, ensuring that cross-country comparisons can be conducted accurately.

**Figure 7: Future Readiness: Challenge 1**



Comparative analysis unveils pronounced differences in CEO preparedness across countries. First we focus on an overview of the European average before delving into three major European markets: the U.K., Germany, and France.

- From 2009 to 2022, trends suggest that European CEOs' profiles, on average, have not exhibited marked indications of enhanced ability to adeptly navigate disruptive environmental changes.
- Of the three major markets, German CEOs display the least preparedness for future disruptions. In contrast, U.K. CEOs seem to be at the forefront of readiness. When evaluating German CEOs collectively, their preparedness is even below the European average.

- However, Germany has demonstrated a positive trajectory in recent times. On the other hand, the U.K. shows signs of regression, and the readiness gap between the U.K., France, and Germany is narrowing swiftly.

- After an extended phase of muted growth that lagged the European CEO average, France is now on par with the broader European trajectory.

- Even with recent advancements, current CEO groups in Germany and France trail behind their peers in Switzerland, the Netherlands, Belgium, Norway, Finland, and Sweden. Notably, Finland and Sweden stand out, having CEOs best equipped to face this strategic challenge.

- Yet, it's essential to highlight that German and French company CEOs are substantially better prepared than their Spanish contemporaries. Spanish CEOs rank lowest among all nations, with a consistent decline since 2009.

# Strategic Challenge 2: Effectively Managing Organizational Complexity and Ecosystems

The second challenge we address is growing complexity of organizations and their ecosystems. This complexity is driven by various factors, including the expansion of global operations, the growing interdependencies, and connections between businesses, rising workforce diversity, a stakeholder world marked by greater diversity and confounding demands, and the evolution of work models. In today's dynamic business landscape, effectively managing this complexity is paramount.

Successful management in this context involves fostering a culture of collaboration and innovation, breaking down silos, and developing a holistic view of the interconnected web of stakeholders. Leaders must not only manage internal complexities but also master the art of leveraging external ecosystems to drive growth and innovation. This requires **a strategic mindset that transcends traditional boundaries and combines broad-based strategic thinking with deep operational insights**. In brief, to navigate and thrive in the future, CEOs must possess a skill set that leans toward being a generalist.

**How well-prepared are European CEOs for a future where the management of increasingly complex organizations and their intricate ecosystems presents unprecedented challenges?**

To address this, we will start with career variety. CEOs with a varied career history have been exposed to different business models, and organizational structures, and markets/industries. This breadth of experience makes them more adaptable to new challenges and environments. Their insights from diverse organizational experiences can be invaluable when dealing with complexity, as they may recognize parallels and opportunities for cross-pollination of ideas, technologies, or practices, and draw from a wide range of strategies and solutions.

In addition to career diversity, another significant dimension to consider is the experiences of COOs and CFOs. In the European context, CFOs often lean towards specialization. Their typical career trajectory involves years spent within the finance function. Conversely, COOs tend to adopt a more generalist approach, functioning across various sectors of the organization. Their experience usually encompasses a holistic comprehension of their company's inner workings. Furthermore, COOs are frequently at the forefront of handling crises and unanticipated disruptions, engaging in a broader capacity compared to their CFO counterparts.

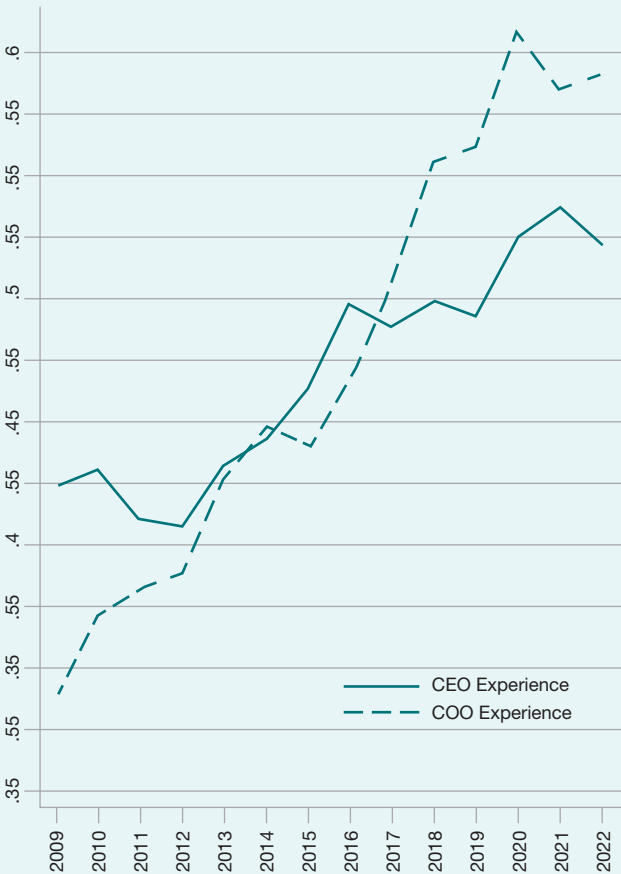
Figure 8 displays the average number of companies/organizations where European CEOs worked before assuming their current CEO roles. In this analysis, we include only data at the group level, not considering subsidiaries and divisions as distinct companies. Figure 9 presents the percentage of CEOs who have prior experience as CFOs or COOs at the group, region, or business unit level.

According to Figure 8, both all CEOs and newly appointed CEOs each year have shown increased organizational diversity over time, with the trend being particularly linear for the latter group. And according to Figure 9, a substantial proportion of CEOs have prior experience as CFOs or COOs, suggesting the significance of these roles as pathways to CEO positions. However, starting from 2017, the prominence of COO experience has surpassed that of CFO experience. Both Figures thus point that today's European CEO cohort is more generalist than their predecessors, which we identify as a positive trend in effectively managing complexity.

**Figure 8: % of Organisations Prior to CEO Role**



**Figure 9: % of CEOs with CFO or COO Experience**



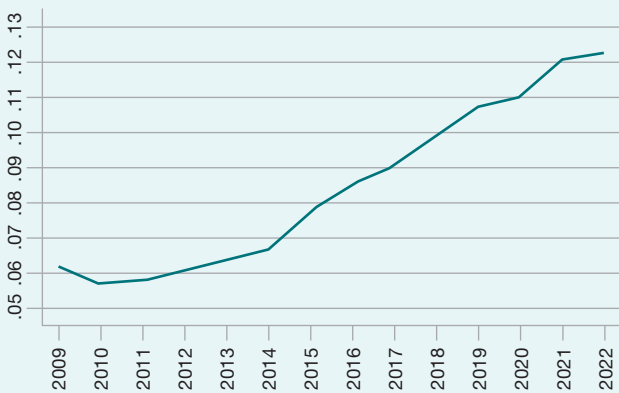
Our rich career data enables us to derive further insights that can collectively enhance our understanding of the degree with which European CEOs demonstrate generalist qualities. In the next four figures, we present:

- the percentage of CEOs with prior experience in management consulting (with companies like McKinsey & Co., BCG, Booz & Co., ATKearney, Roland Berger, and Accenture (Figure 10)),
- the percentage of CEOs with experience in government offices or public roles (e.g., ministries, regulatory agen-

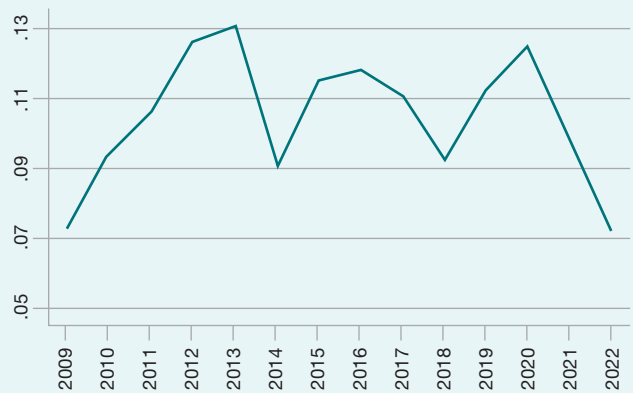
cies, local administrations, diplomatic missions, public health care agencies, European Commission – we exclude universities (Figure 11)),

- the percentage of CEOs with experience in accounting/audit/tax consultancies (with companies like PwC, KPMG, Deloitte, EY, Grant Thornton, and BBDO and their predecessors (Figure 12)),
- the percentage of CEOs in banking and finance (Figure 13). Since our sample excludes banks and financial companies, we can concentrate on this for our analysis.

**Figure 10: Consulting Firm Experience (%)**



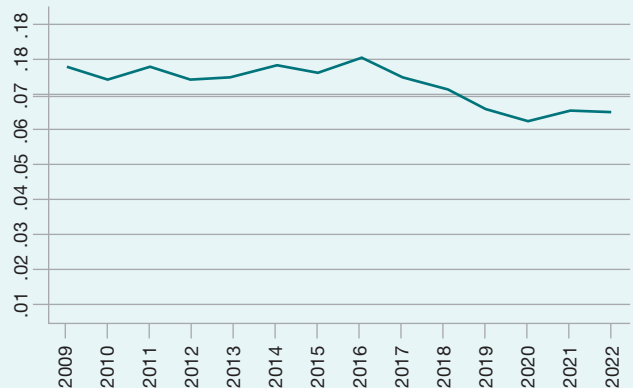
**Figure 11: Government Experience (%)**



**Figure 12: Accounting/Auditing (%)**



**Figure 13: Banking & Finance Experience (%)**



A positive trend in Figure 10 will be positive news for this strategic challenge. Management consulting involves engaging in various projects for different clients, which exposes individuals to diverse business challenges and opportunities. This experience can enhance a CEO's generalist profile. We also hold the view that a positive trend in government experience (Figure 11) is desirable for Strategic Challenge 2. CEOs with government experience can bring valuable insights into the regulatory landscape and public-private interactions. More broadly, CEOs with government experience are likely to be more adept at managing relationships with a wide range of stakeholders.

Conversely, a positive trend in Figure 12 will be negative news as such experience tends to diminish CEOs' overall generalist orientation. These professionals often develop highly specialized expertise in financial matters and regulatory compliance, which can dominate their skill set and focus. While this specialized background can be advantageous in terms of financial stewardship and risk management, it may limit their holistic understanding of the broader and complex organizational landscape. Similarly, we view banking and finance experience as limiting a CEO's generalist orientation just as experience in audit, accounting, or tax consultancies (Figure 13).

According to Figure 10, the percentage of CEOs with prior experience in management consulting has seen significant growth. In 2009, approximately 6% of CEOs had a background in management consulting, but by 2022, this figure had more than doubled to 13%. This rise in consulting experience among CEOs indicates that current CEOs are far more generalist in their skills than their predecessors. Figure 11 on the other hand shows a clear downward trend in government experience, especially from the peak of 2016. This suggests that current CEOs lack the benefits of skills obtained through government experience such as ability to manage stakeholders relationships effectively. Figure 12 indicates a somewhat constant trend since 2009 regarding the percentage of CEOs with prior job experience from audit, accounting, and tax consultancies. Over the years, there has not been an increase in the representation of CEOs with this kind of background. The same goes for banking and finance experience as well, as evidenced by Figure 13.

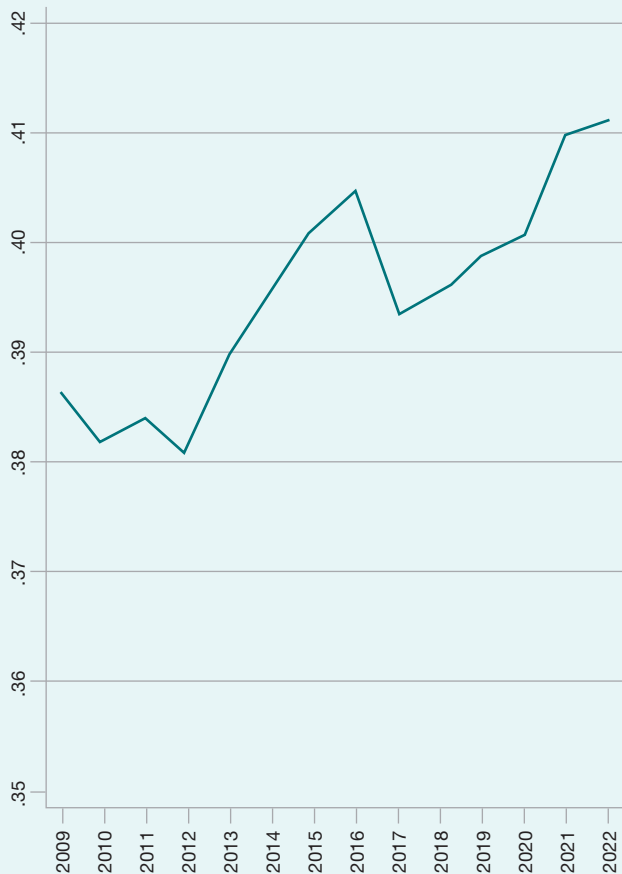
Finally, we present further two graphs to present a fuller picture. Until now, our focus has been on career experience. Here, we look at education. Figure 14 present the evolution of STEM qualifications among CEOs – the percentage of CEO that hold a university degree in the fields of science, technology, engineering, or mathematics. STEM disciplines require a rigorous and focused approach, and demand highly specialized knowledge and skills to address complex problems and advancements in technology and science. Moreover, STEM education generally does not emphasize broader interdisciplinary to the same extent. Therefore, CEOs who studied STEM fields are more likely to develop specialized expertise. Figure 15 presents the prevalence of (E)MBA and PhD degrees. While (E)MBA degrees generally contribute to generalist orientation, a PhD program produces a more specialized expertise.

Accordingly, we can identify two contrasting trends. On one hand, CEOs with STEM degrees have consistently represented a growing percentage since 2017, reaching their peak in 2022. This points to an increasing emphasis on specialist knowledge. On the other hand, the representation of (E)MBA degrees has expanded, while PhD degrees have steadily declined, both indicating a trend toward CEOs with a broader, more generalist knowledge base.

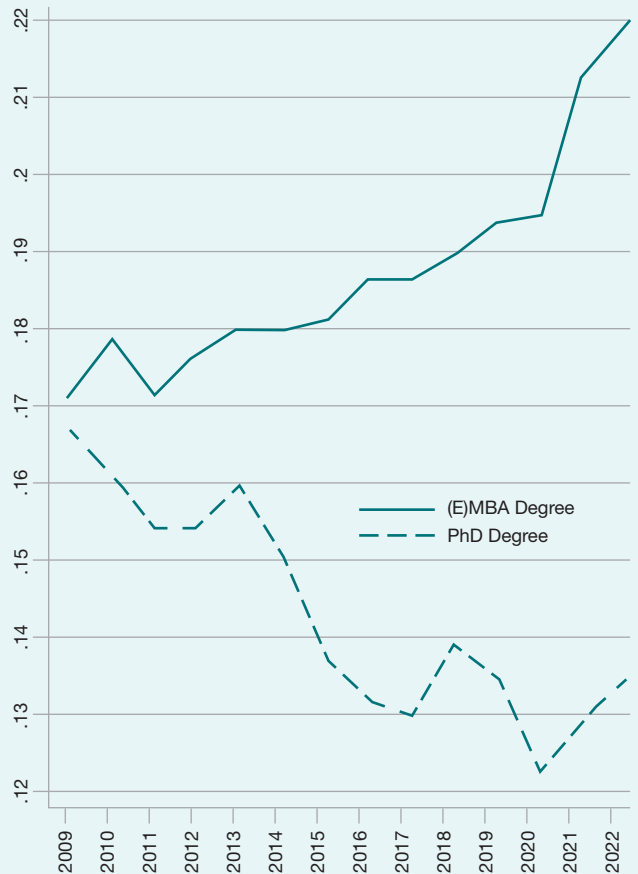
When assessing the preparedness of European CEOs for the challenges posed by the increasingly intricate ecosystems of complex organizations in the future, we arrive at a rather optimistic conclusion. Over time, European CEOs have transformed into more generalist leaders, rendering them better suited to navigate these unprecedented complex challenges. Their career paths have become notably diverse, incorporating a broader range of experiences, particularly in operational roles. Many have also gained valuable insights from their tenure at management consulting firms, where they engaged in a wide array of projects across various companies.

In comparison to earlier generations, today's European CEOs have shifted away from spending extensive periods in audit, accounting, or tax consultancies, which tend to narrow their mindsets and skills toward specialization in certain areas. Furthermore, the declining prevalence of Ph.D. degrees in favor of (E)MBA degrees underscores a shift in their educational backgrounds towards acquiring more generalized skills. This evolution in their career trajectories and educational profiles suggests that European CEOs are increasingly well-equipped to face the challenges of managing complex organizations and their intricate ecosystems in the future.

**Figure 14: % of CEOs with a STEM Degree**



**Figure 15: % of CEOs with an (E)MBA or PhD Degree**



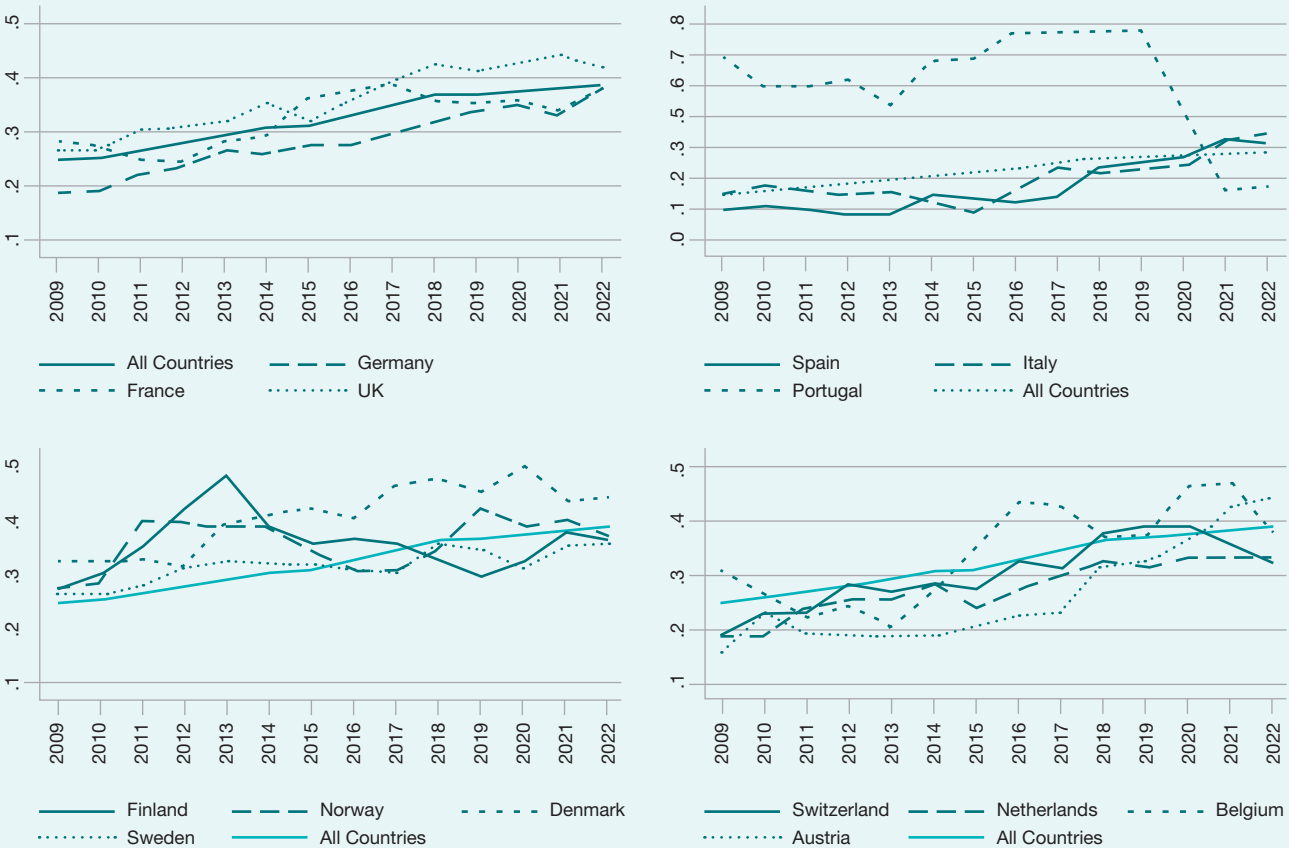
The following figure provides country-level analyses aimed at evaluating the future preparedness of CEOs. Initially, our attention will center on the European average, followed by a closer examination of Germany, France, and the UK.

Our key findings:

- Between 2009 and 2022, trends indicate that, on average, European CEOs have exhibited marked progress in profile indicators, showcasing their capability to adeptly navigate complex business landscapes and ecosystems.
- Echoing our observations from the previous challenge, UK CEOs stand out with the highest level of readiness. Meanwhile, German CEOs persistently score as the least prepared group, with French CEOs positioned intermediate.

- The gap in preparedness between France and Germany has notably diminished in the past three years. However, CEOs from both nations continue to lag the European average.
- Notably, both UK and German CEOs have exhibited a steady rise in their index scores since 2009, indicating a greater level of preparedness compared to their forerunners. Conversely, the trajectory for French CEOs has been more inconsistent over the same timeframe.
- In this regard, the current set of CEOs from Germany and France aligns closely with their peers from the Netherlands, Italy, Spain, and Sweden. Intriguingly, they surpass their counterparts in Switzerland, another key European market.

**Figure 16: Future Readiness: Challenge 2**





# Strategic Challenge 3: Navigating Geopolitical Challenges and Seizing Opportunities in International Markets

The world has entered an era of heightened geopolitical tensions, exemplified by the intricate dynamics between two economic giants, the United States and China. Their evolving relationship has far-reaching implications for businesses operating on a global scale, necessitating astute strategies to adapt to changing trade policies, tariffs, and diplomatic fluctuations. Moreover, large emerging markets like India, Indonesia, and Brazil have adopted more assertive policies, asserting their presence on the international stage. This shift in geopolitical dynamics requires businesses to reassess their global footprint and operations as well as market entry and expansion strategies. As international strifes continue to rise, encompassing issues ranging from trade disputes to cybersecurity concerns, companies must proactively manage geopolitical risks while identifying opportunities in new markets.

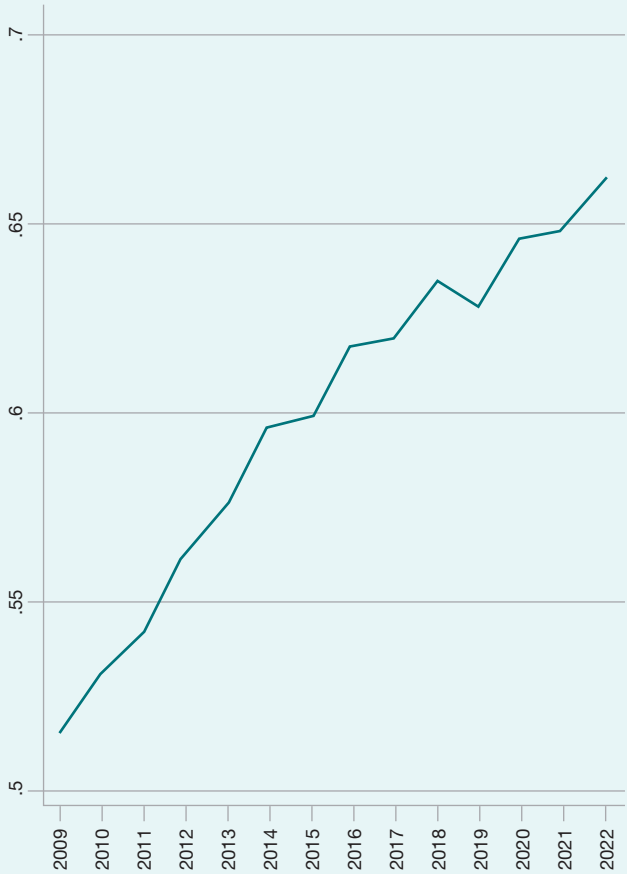
To excel in this intricate geopolitical landscape, CEOs must adopt the role of geopolitical strategists. Effectively fulfilling this role requires CEOs to cultivate a profound understanding of international relations and to implement nimble strategies that enable them to flourish amid uncertainty. They must possess **a wealth of global insights, foreign acumen, and extensive on-the-ground experience in key markets beyond Europe.**

**How ready are European CEOs for a future marked by a complex geopolitical landscape, increased conflicts, regulatory barriers, and uncertain globalization?**

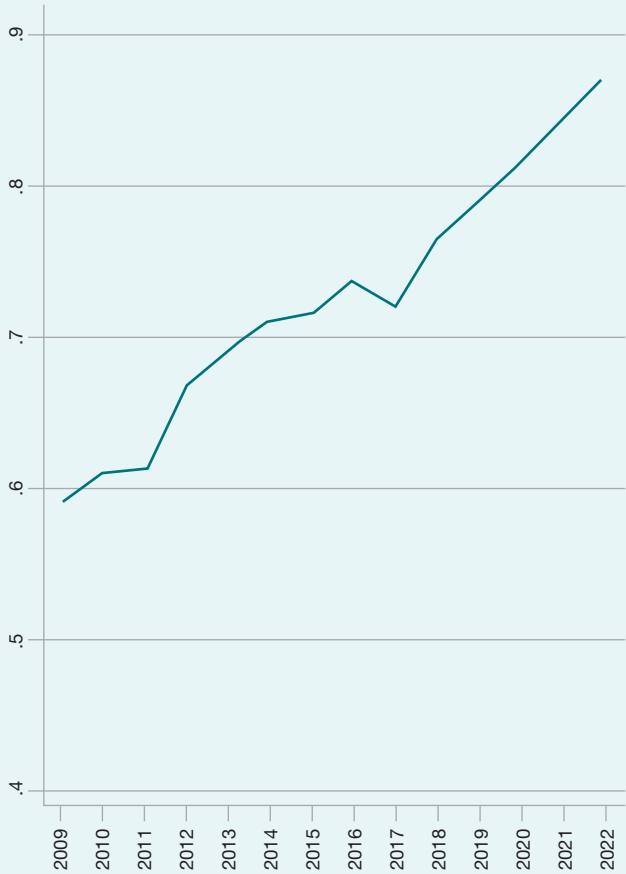
To address this question, we commence by examining international experience. Figures 17 and 18 display the percentages of CEOs with international experience and the average years of international experience, respectively. We consider international experience when a person has worked at least one full year in another country.

Both figures present clear evidence of growing internationalization. Figure 17 reveals that in the 2022 cohort of CEOs, almost 68% had international experience, the highest proportion since 2009. As shown in Figure 18, the current cohort of CEOs has, on average, the highest years of international experience.

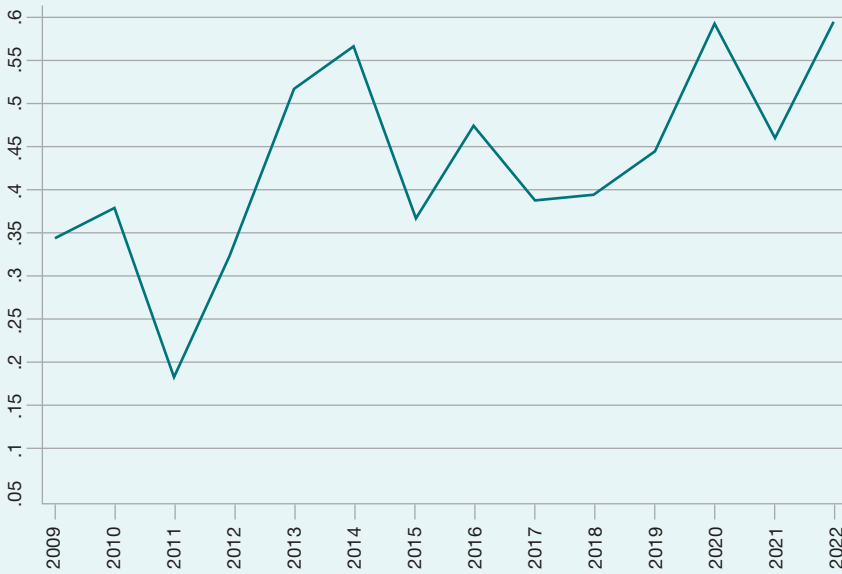
**Figure 17: CEOs with International Experience (%)**



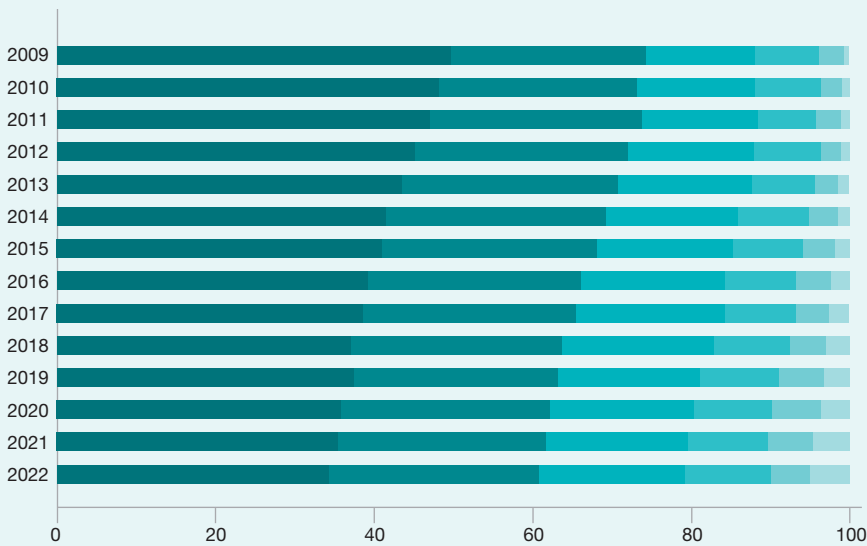
**Figure 18: Average International Experience**



**Figure 19: % of Outsider CEOs from Another Country**



**Figure 20: Scope of International Experience (%)**



In Figure 19, our focus shifts to outsider CEOs as we examine whether there is a concurrent trend toward increasing internationalization.

Figure 19 indicates that of those CEOs recruited from another company, literally 60% of them in 2022 came directly from a position in another country. Clearly, in the last 8 years, boards have exhibited an increased willingness not only to hire new CEOs from different companies but also from different countries. This indicates a shift towards a more international approach in CEO selection for the prominent corporations across Europe.

Figure 20 offers complementary insights by providing details on the number of countries CEOs had worked in before their current roles. Indeed, the trend shows that over time, a greater percentage of CEOs had experience in at least four, five, or six countries. This combined evidence indicates that present-day European CEOs not only possess significantly more international exposure compared to their predecessors but also tend to have worked in a broader range of countries. In other words, the geographic scope of their international experience is greater.

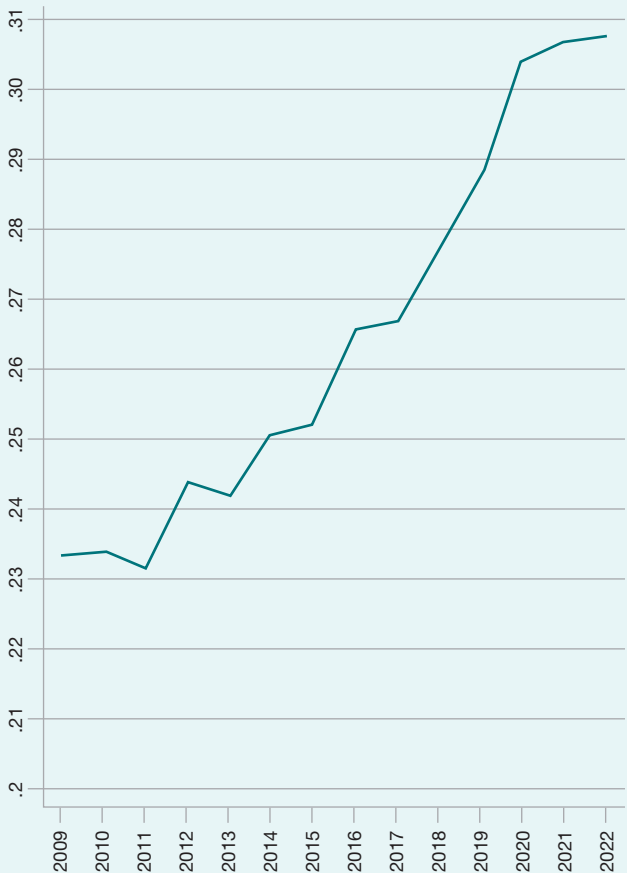
We can also explore international experience from key markets outside Europe. These insights are valuable, particularly considering the increasing pressures for geopolitical decoupling and supply chain relocalization. Figure 21 displays the percentage of CEOs who had worked in the US, and Figure 22 shows the average years of US work experience in each cohort. Figure 23 presents percentages of CEOs with experience from China, India, Japan, and Latin America (which included Mexico as well) in each cohort.

All three figures illustrate a notable trend of internationalization. In 2009, just one in five CEOs had a year or more of full-time work experience in the US. By 2022, this proportion had grown to almost one in three. Likewise, the average duration of US work experience also saw an increase during this period.

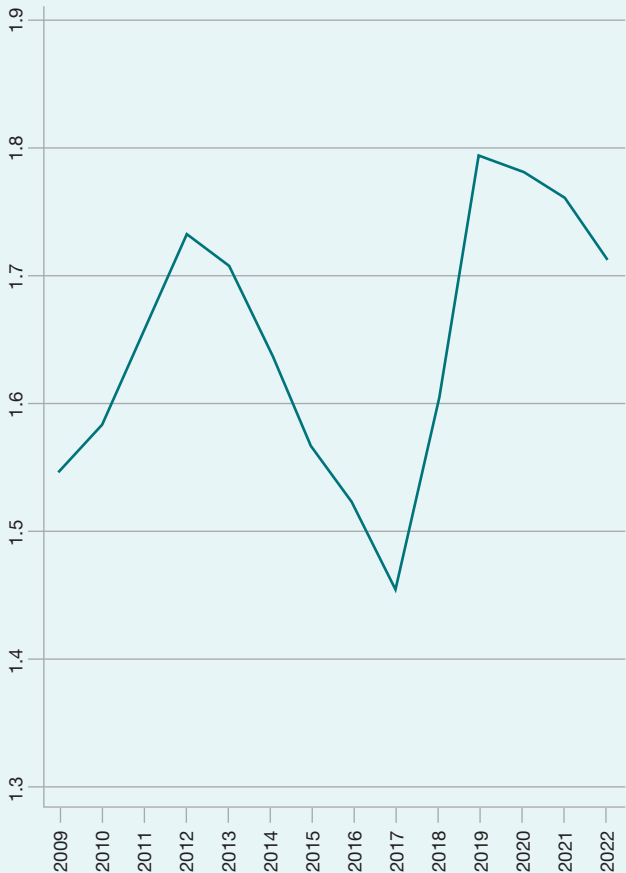
While significantly smaller in comparison to the US, the percentage of CEOs with China experience steadily increased during this period, reaching 5% in 2022. The trend for Latin America mirrors this. Japanese experience on the other hand remained somewhat constant, implying that CEO selection committees are not particularly appreciative of Japan experience.

Surprisingly, in 2022, only one out of every hundred European CEOs had prior work experience in India. This is concerning given the expected growth of India's economy, projected to surpass even China's in the coming decades. Especially noteworthy is that India is swiftly emerging as an alternative destination for Western companies shifting their operations from China, underscoring the increasing significance of Indian expertise in the global business landscape.

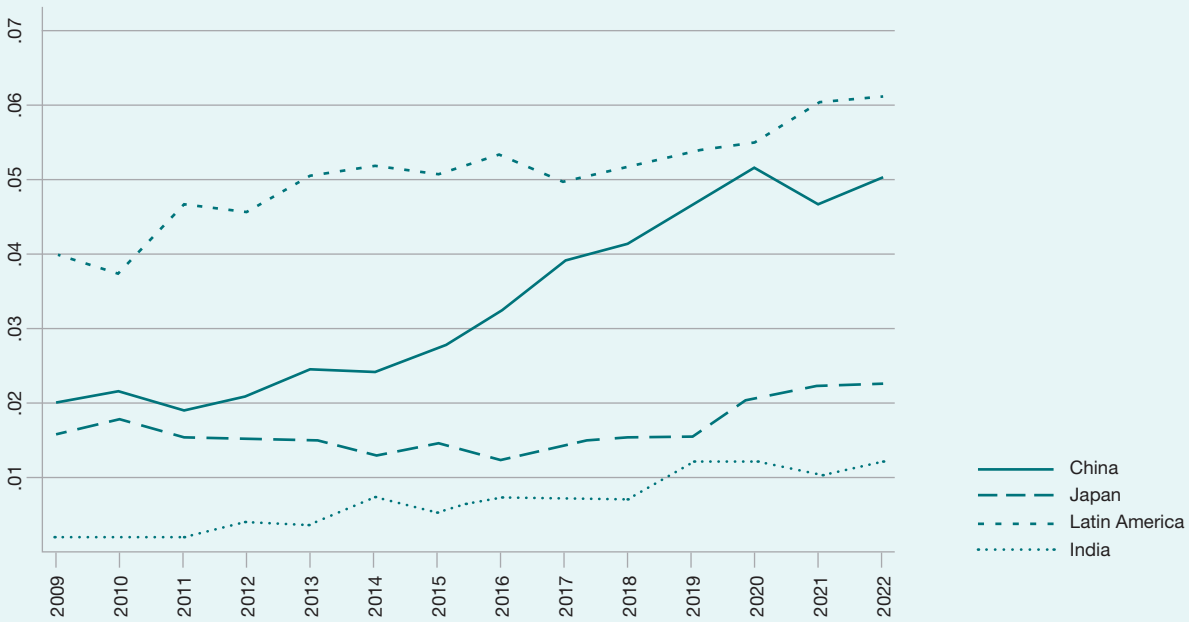
**Figure 21: CEOs with US Experience (%)**



**Figure 22: Average US Experience**



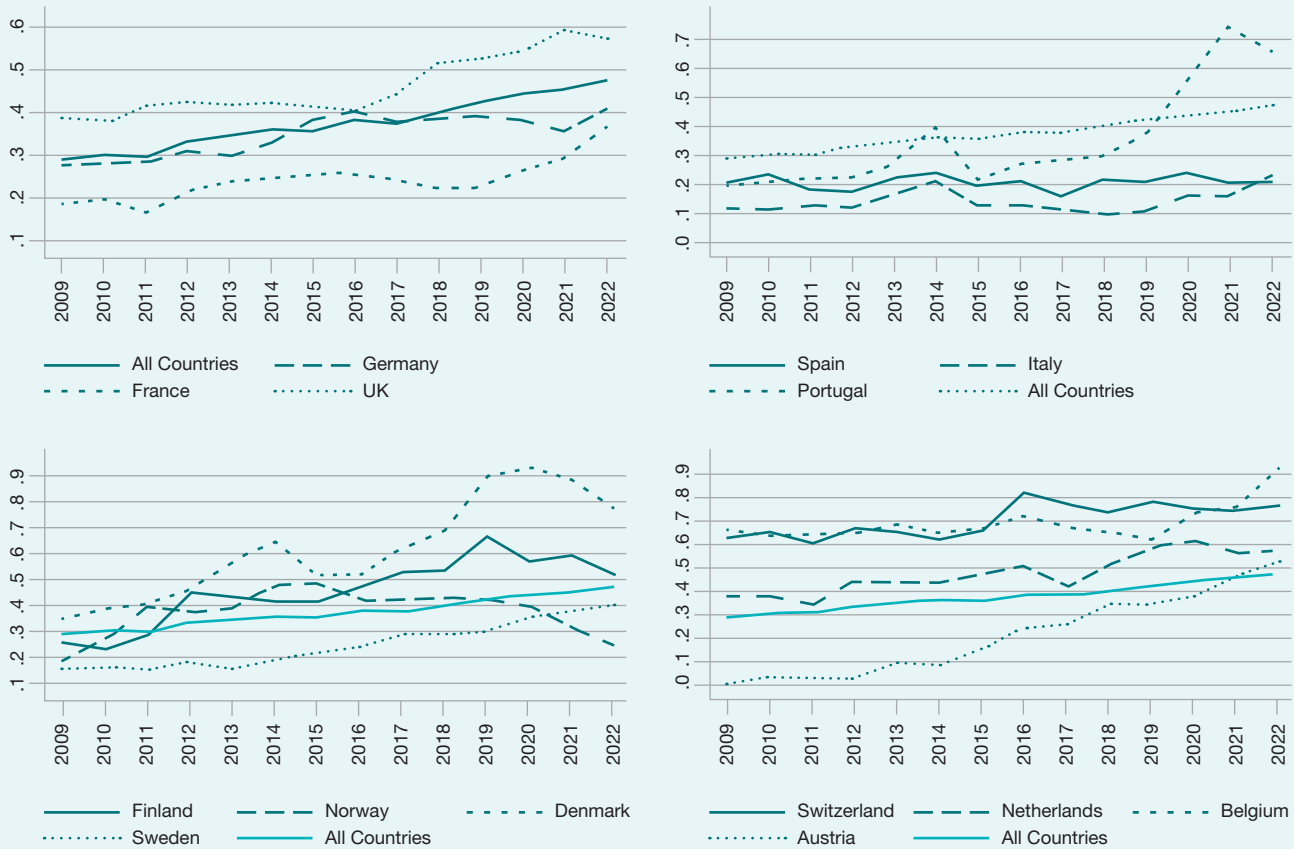
**Figure 23: International Experience in Major Markets (%)**



In summary, two key conclusions emerge. Firstly, when it comes to tackling this strategic challenge, European CEOs exhibit a high level of preparedness. Their international exposure surpasses that of their predecessors by all accounts. Moreover, their experiences encompass a wider geographic scope, and collectively, they boast more substantial experience in pivotal emerging markets compared to previous CEO cohorts. Additionally, European boards now display a greater openness to appointing CEOs from other countries, marking a departure from past practices.

Secondly, a wealth of experience from the United States indicates that European CEOs today not only possess a deeper understanding of U.S. work cultures and practices but are also more intricately connected to U.S. social, political, and economic elite circles than their predecessors. This enhanced connectivity stands as a significant asset poised to play a pivotal role in the forthcoming future. Conversely, this heightened level of exposure to the United States also underscores the substantial influence of U.S. soft power within European corporate elite circles.

**Figure 24: Future Readiness: Challenge 3**



Now, let's delve into country-specific trends to evaluate which groups of CEOs are better positioned for a future marked by significant geopolitical challenges and uncertainties. Figure 24 presents these analyses.

- Between 2009 and 2022, European CEOs' profiles show a consistent upward trend, indicating their enhanced ability to address geopolitical challenges and capitalize on opportunities in global markets.
- UK CEOs remain at the forefront, consistently elevating their index scores since 2015. While German CEOs surpass their French peers, they lag behind the collective preparedness of European CEOs.
- In our analysis of the previous two challenges, we observed an upward trend for German CEOs. Here too, a positive trajectory is discernible, albeit perhaps less pronounced than in the earlier challenges.
- Relative to their predecessors, the most recent cohort of French CEOs seems better prepared to address challenges and capitalize on opportunities in global markets.

# Strategic Challenge 4: Creating a Purposeful and Inclusive Organization

In today's business landscape, CEOs find themselves navigating a new and dynamic territory when it comes to workforce demands. Today's workforce has transformed into a vocal and empowered community, with this trend continually gaining momentum. Employees are advocating for greater empowerment, inclusivity, equity, and work-life balance. They seek a workplace culture that values diversity and ensures every voice is genuinely heard and valued. Furthermore, there's a growing desire for a sense of purpose in their work, a yearning for meaning, and a wish to contribute to a cause beyond profits.

Building a purposeful and inclusive organization is a strategic imperative. To attract and retain top talent, foster innovation, and maintain a competitive edge, CEOs need to proactively champion these values. This entails reevaluating traditional corporate structures and practices, cultivating open and transparent communication, and implementing policies that prioritize work-life balance.

To be able to do so, CEOs need to cultivate a range of skills and a particular mindset. **Sensitivity**, in this context, is of paramount importance. CEOs need to be **attuned to the diverse perspectives, needs, and concerns of their employees**. They must **practice active listening** and **show empathy**, fostering an environment where every voice is heard and valued. They should be adept at **championing initiatives that align with a sense of purpose and embedding social purpose in culture**.

**To what extent are European CEOs prepared for a future in which employees are poised to become even more outspoken, selective in their commitments, and assertive in their demand for greater participation and influence within the organization?**

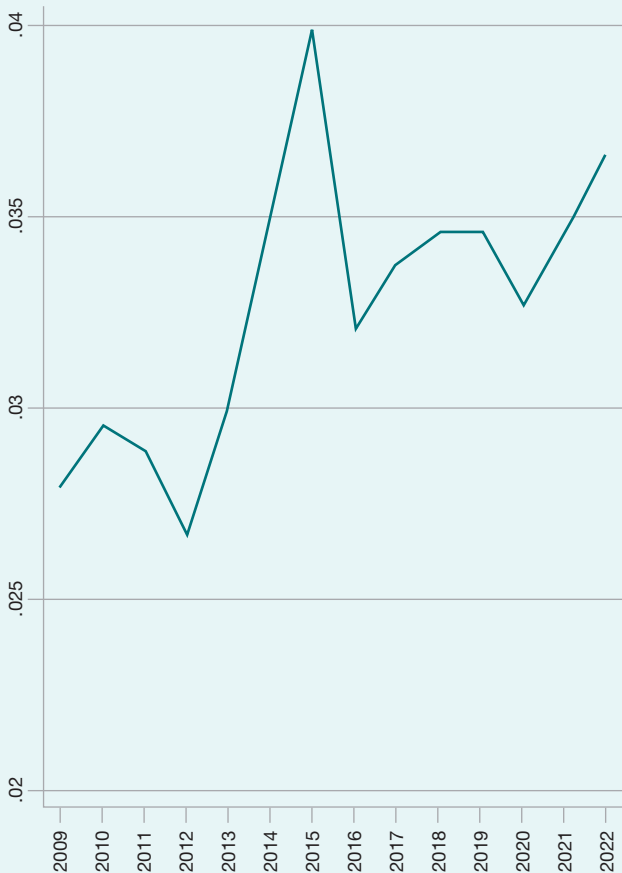
Evaluating their readiness concerning this strategic challenge presents a complex undertaking. Nonetheless, we have identified two indicators that serve as valuable proxies. The first pertains to CEOs' prior experience in HR or Labor Affairs. Our career data enables us to trace whether a CEO has held any management roles in these areas. Figure 25 illustrates the percentage of CEOs with HR/Labor Affairs experience within each cohort.

The second indicator, although more indirect in nature compared to the former, focuses on work experience in the least developed countries (LDCs). Exposure to environments where economic and social disparities are often stark can instill a heightened awareness of the importance of fair treatment and social justice as well as transformative social goals.

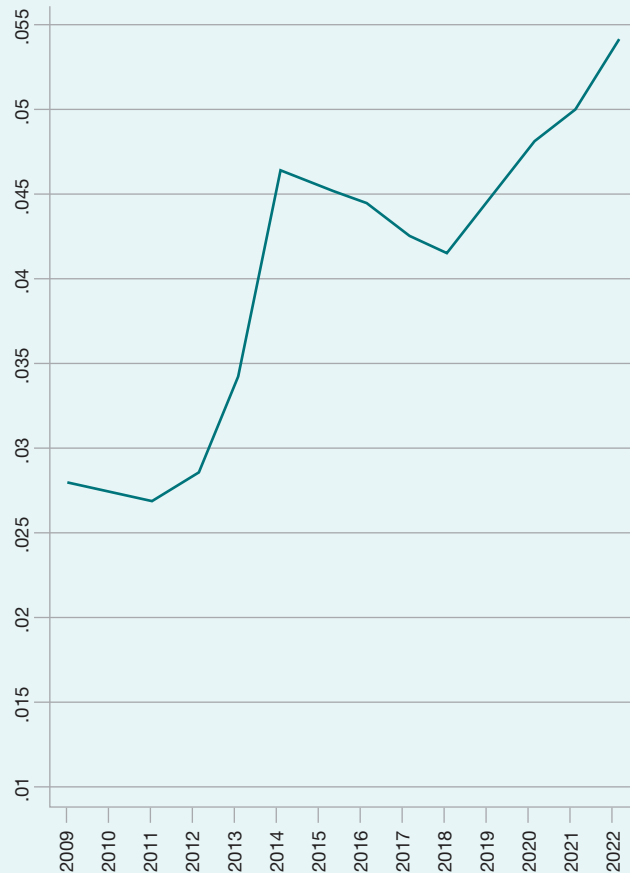
Witnessing the positive impact of their efforts in LDCs in early careers can also motivate CEOs to seek similar positive change through their companies, aligning with a purpose-driven approach.

Figure 26 illustrates the trend. To define the Least Developed Countries (LDCs), we have followed the UN's list of 46 countries and augmented it by incorporating the World Bank's Lower to Middle Income Economies.

**Figure 25: % of CEOs with HR/Lab. Aff. Exp.**



**Figure 26: % of CEOs with Exp. in the LD Countries**





Accordingly, and unsurprisingly, HR experience remains a relatively rare trait among European CEOs, although the current cohort does exhibit more experience in this domain compared to the cohorts from 2009 to 2014. In fact, only a select few CEOs have directly transitioned from roles like Chief Human Resources/People Officer (CHRO/CPO) to assume CEO positions; the majority have accumulated HR experience in their earlier career stages. A very limited number of individuals have also taken on CHRO or CPO roles alongside their CFO or COO responsibilities for certain periods (we have excluded those who held these roles for less than a full calendar year). Nevertheless, it's worth noting that this small group of CHRO-turned-CEOs is not confined to a specific industry or sector; there are notable examples in virtually every major industry.

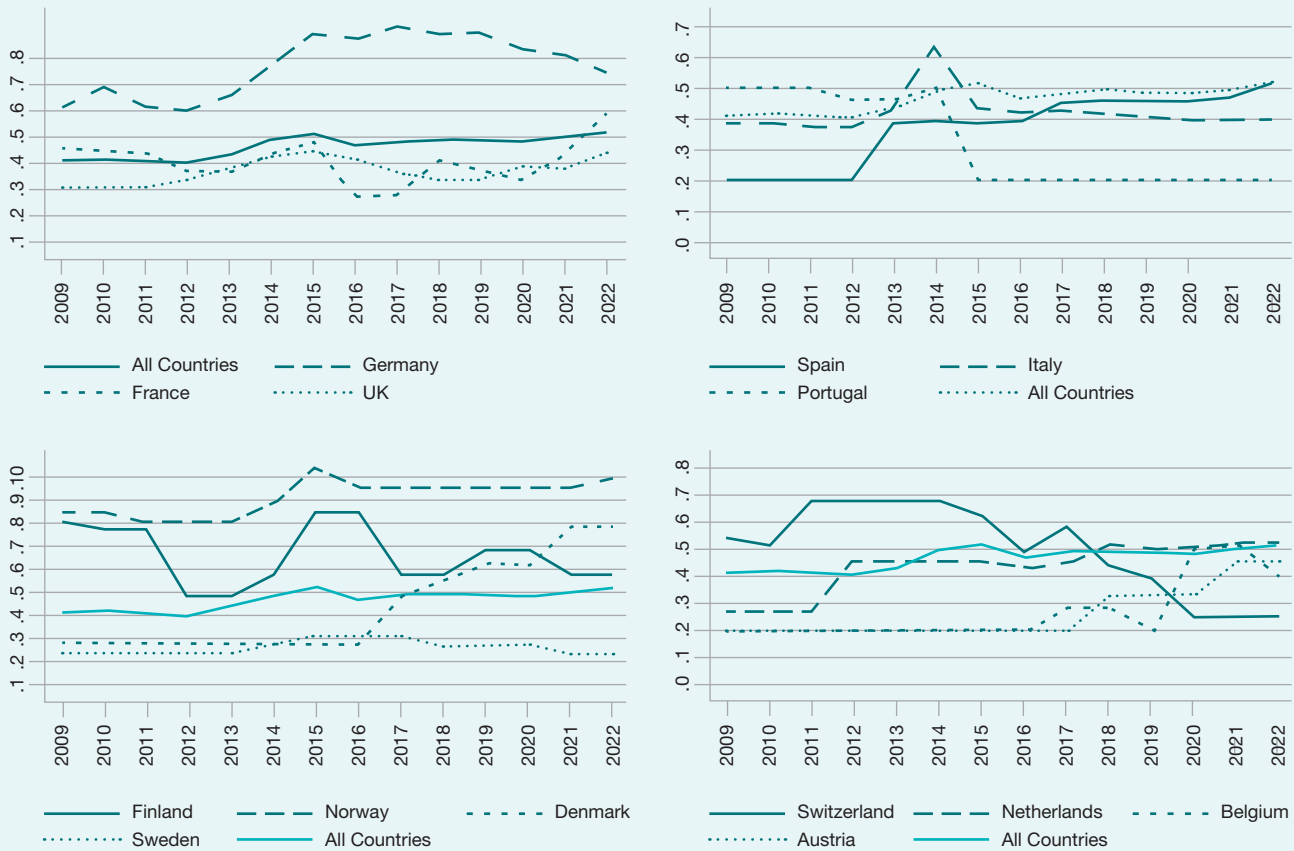
Regarding experience in LDCs, there is a positive trend over time, reaching its peak in 2022. In comparison to the cohort of European CEOs in 2009, the number of CEOs with work experience in LDC contexts has nearly doubled.

What insights can we glean from these figures regarding the future readiness of CEOs in tackling this strategic challenge?

Both figures highlight the positive future readiness of CEOs in addressing the strategic challenge related to workforce demands for empowerment, inclusivity, equity, work-life balance, and meaning. While HR experience is still relatively rare among European CEOs, its gradual increase reflects the growing recognition of HR-related expertise's importance in fostering inclusive organizational cultures. This signals a notable shift. Additionally, the significant rise in CEOs with work experience in LDCs indicates a broader perspective and understanding of complex societal issues globally, potentially leading to a more empathetic approach to modern workforce demands, as well as keen interest in driving positive change in society.

Now, let's shift our focus to the country analyses. It's important to note that the relatively small percentages observed in Figures 25 and 26 – indicating a less frequent occurrence among the population of European CEOs – require us to approach the interpretation of Index values cautiously. In this context, even slight differences can result in significant variations. However, despite this caveat, we believe it is still valuable to present these figures for consideration.

**Figure 27: Future Readiness: Challenge 4**



Based on these figures, the following findings are noteworthy:

- From 2009 to 2022, there hasn't been a marked increase in CEO profiles displaying attributes tied to expertise in shaping a purposeful and inclusive organization. Nonetheless, in comparison to prior challenges, disparities between countries are more pronounced.
- Remarkably, German CEOs have taken the lead in readiness for the first time, while UK CEOs, in a surprising turn, rank at the bottom. This new positioning for UK CEOs calls for introspection, especially considering the unique nature of the UK's employment relations in contrast to France and Germany. In the latter countries, employees possess enhanced formal representation rights at the pinnacle of corporate governance, and labor unions hold significant sway, boasting higher unionization rates. This setup provides multiple avenues for employees to assert influence and articulate their leadership expectations.

In the UK, such mechanisms are either absent or less potent. The apparent lack of preparedness among UK CEOs to tackle this strategic challenge paints a concerning picture for companies, their employees, and stakeholders.

- Since 2009, German CEOs have consistently outperformed their peers in the UK, France, and across Europe in terms of readiness. Remarkably, of all the countries we examined, only CEOs from Norway display a collective preparedness surpassing that of their German counterparts.
- Over the past two years, French CEOs have shown increased readiness, exceeding the overall preparedness of European CEOs. However, it's noteworthy to see the pronounced disparity between Swiss CEOs and their peers in Germany and France.

# Conclusion

Europe, a continent that thrives on its rich history, diverse culture, and robust economic framework, stands at a critical juncture, facing an array of transformative challenges and opportunities. The business landscape is no longer solely driven by bottom-line figures; it is intertwined with societal shifts, technological revolutions, and intricate geopolitical tangles. In this volatile mix, the role of European CEOs, who helm some of the world's most influential corporations, becomes paramount.

Our exhaustive study casts a revealing light on the preparedness of these business leaders. While there is significant momentum in certain leadership profiles – especially in relation to managing organizational complexities and seizing international opportunities – there remain areas of improvement. The disparities highlighted, particularly between powerhouse economies like Germany and the U.K., serve as a reminder that there is no one-size-fits-all approach to leadership. Each nation, with its unique business culture and societal values, presents distinct challenges and strengths.

Interestingly, the areas where CEOs excel, and the gaps that need bridging, are not uniform across European nations. This underlines the importance of bespoke leadership development strategies tailored to individual country nuances.

The urgency for adaptability and forward-thinking is evident. Europe's corporate leaders must not only react to the changing business world but must anticipate and shape it. This calls for an evolution in mindset, skillset, and approach. Corporate boards and leadership must view these results not just as a reflection of the current state but as a blueprint for the future. The onus is on them to foster environments that encourage continuous learning, innovation, and adaptability and to craft organizations that are both purpose-driven and inclusive.

As Europe navigates its multifaceted challenges, its beacon will undoubtedly be its leaders. Ensuring they are equipped with the tools, knowledge, and vision for the future is not just a corporate imperative; it's a continental one. The trajectory of Europe's future, in many ways, will be shaped by the readiness and responsiveness of its leaders.

# About the research

To provide context for our analyses, it is important to understand the scope of our data. Our focus is on the 600 largest publicly listed companies in Western Europe, encompassing the following countries (with the number of companies listed in parentheses): Austria (18), Belgium (25), Denmark (29), Finland (20), France (83), Germany (96), Italy (40), Netherlands (34), Norway (20), Portugal (8), Spain (31), Sweden (60), Switzerland (45), and the UK (91).

We exclude financials (banks, mortgage companies, hedge funds), real estate companies, insurance companies, industrial holding companies, and PE companies from our sample. Lastly, we excluded companies that have their headquarters located outside of Europe but are listed on one of the stock exchanges in the countries included in our study.

We track the life histories and career trajectories of nearly 1,350 CEOs who have held the top leadership role in these companies. In compiling the CEO data, we leveraged financial databases such as BoardEx and Refinitiv, along with non-financial sources including media, biographies, annual reports, disclosure/proxy databases, and publicly accessible information from company websites.

To ensure the robustness of our analyses, we made two executive decisions. The first decision pertained to CEO transitions. Utilizing the precise dates of CEO transitions, our rule was to select the longest-serving CEO within a given year of transition (in terms of days) and assign them to that specific year. The second decision concerned cases of dual CEOs or co-CEOs. We chose to disregard the yearly spells for dual CEOs, opting to exclude them from our analysis rather than including both individuals.

For the sake of convenience in terminology, we will define all the CEOs in a given year as a cohort.

For the country-specific analyses, we have constructed aggregate indices by meticulously selecting the most pertinent variables from the broader set we assess for the European group as a whole. In this selection process, we consider both the relevance of each variable and whether it functions as a meta-variable (e.g., insider CEOs) or a sub-variable (e.g., the percentage of newly appointed insider CEOs). Sub-variables have been omitted from consideration as they are already accounted for within the meta-variables. Next, we standardized each chosen variable across all observations, encompassing all countries rather than within each individual country. This standardization process involved utilizing means, distance scores, and the ranges to ensure a consistent basis for comparison. As a concluding step, we assigned weights to each variable based on their significance in the analysis. In Challenge 1, we employed four variables with equal weighting, as there was no discernible theoretical basis for differentiation. For Challenge 2, we incorporated five variables, with three of them assigned equal weights of 10% each. In Challenge 3, we worked with four variables, with two of them sharing equal weights of 10% each. Lastly, in Challenge 4, we considered both variables, allocating 70% of the weight to HR experience and 30% to LDC experience, reflecting their respective significance in the analysis. Due to the standardization process, certain country indices ended up displaying negative values or zeros, which could result in country graphs overlapping with the X-axis for specific data points. As a solution, we opted to rescale all graphs by introducing a constant value added to each country index. This adjustment ensures that the visual representation remains informative and avoids graphical overlap issues.

<sup>1</sup> To identify the essential background and experience indicators of CEOs, which signify the capabilities needed to address specific challenges, we draw upon the following established studies in strategic leadership and international business literature:

Campbell, J.T., Bilgili, H., Crossland, C., & Ajay, B. (2022). The background on executive background: An integrative review. *Journal of Management*, 1-45.

Karaevli, A, & Ozcan, S. (2022). Why some CFOs make better M&A deals. *MIT Sloan Management Review*

Hambrick DC. (2007). Upper echelons theory: An update. *Academy of Management Review* 32(2): 334-343.

Finkelstein, S., Hambrick, D.C. & Cannella, A.A. (2009) *Strategic Leadership; Theory and Research on Executives, Top Management Teams and Boards*. Oxford University Press

Karaevli, A, & Zajac, E.J. (2013). When do outsider CEOs generate strategic change? The enabling role of corporate stability. *Journal of Management Studies*, 50: 1267-1294.

Karaevli A. (2016). The “turnaround trap” of outsider CEOs: Causes and solutions for succession planning. *Organizational Dynamics* 45(4): 278-282.

Le, S., & Kroll, M. (2017). CEO international experience: Effects on strategic change and performance. *Journal of International Business Studies*, 48(5):573-595.

## About the authors



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Prof. Özcan has taught at the Copenhagen Business School and the National University of Singapore Business School, and has been a visiting scholar at Stanford University, the University of Chicago, and the Judge Business School at University of Cambridge, among others.



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the *Journal of Applied Behavior Analysis* (JABA) and the *Journal of Experimental and Applied Behavior Analysis* (JEA).

The *Journal of Applied Behavior Analysis* (JABA) is a peer-reviewed journal that publishes research on the application of behavior analysis to various areas of human behavior. It is published by the Society for Applied Behavior Analysis (SABA).

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