

Melissa, CEO



The CEO of 2040: THE LEADERSHIP LANDSCAPE OF THE FUTURE

Looking ahead 25 years, CEOs will have to be more innovative, entrepreneurial, empathetic and risk savvy than their predecessors.

By Ken Favaro, Per-Ola Karlsson and Gary Neilson

AS OF THIS WRITING, 60 PER CENT OF U.S. college students and 40 per cent of MBA students are women. Those are high percentages, and we expect them to hold — if not rise. Based on several data trends and the continued crumbling of barriers, we estimate that by 2040 — a quarter century from now, when today's college and business school graduates will be taking the CEO reins — women will represent some 30 per cent of the incoming class of the top 2,500 global CEOs. And that proportion will only increase over time.

To punctuate the rise of female leaders and to help personify the challenges CEOs will encounter by the middle of this century, we have envisioned a prototypical chief executive of 2040, and in this article we will introduce you to her and the challenges she faces.

We call her Melissa, and she was born in the 1980s or '90s; in 2015, she is likely in graduate school or navigating the early stag-

es of her career. By the time Melissa becomes a CEO, she will be operating in a very different competitive environment from that of today. Before we get to know her a little better, let's take a look at that environment.

The Evolving Competitive Landscape

We anticipate the acceleration of a major shift in the competitive landscape already emerging today: the clustering of companies into two primary competitive categories, which we call 'integrators' and 'specialists'. Most firms will fall into one of these two camps.

Generally speaking, integrators will be large-scale organizations focused on providing distinct, solutions-based value propositions to their customers. These solutions will be built on a unique set of complementary capabilities, in the same way that **Amazon** — by virtue of its superior logistics and distribution

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system — is able to sell a broad array of products to consumers of all stripes, or **Cisco** is able to offer platforms that address a range of customer needs through extended relationships.

Specialists, by contrast, are the complementary players who provide the products and services that integrators sell. Just as there are thousands of small retailers supplying one Amazon or **eBay**, there will be many more specialists than there are integrators. Specialists are the next-generation accessory makers, parts suppliers and inventors who excel at one particular—often narrow — thing.

Like integrators, specialists will compete with distinct market propositions based on a core set of unique, advantageous capabilities whose outputs align with the integrators’ strategies. But whereas successful integrators will dominate their markets for decades, many specialist firms will have short life spans — say, seven to 15 years, depending on the industry they occupy. If they survive longer, they will pivot frequently as the demand for their specific products and services changes, depending on how the integrators’ strategies evolve in the face of potential market disruption.

For companies of either kind, a mastery of technology across the value chain will be key. Technology will enable any company to enter new markets and leave shrinking ones with vastly increased dexterity. The company of 2040 will require relatively minimal scale to take advantage of technological advances. For example, consider the effect that 3D printing is beginning to have on manufacturing: armed with such technology, upstart firms will be able to compete in new businesses seemingly overnight and grow their operations at lightning speed.

Taken together, these trends will lead to the emergence of a highly entrepreneurial and focused CEO. Unlike the industry builders of the early 20th century, she will likely direct her energy into one of two career trajectories: she may run an integrator company like Amazon, or she may choose to run a specialty firm — or more likely, a series of them over time. The career path of tomorrow’s CEO will depend on the kind of company for which she is best suited; it is unlikely that she will be equally adept in the two environments.

If she wants to be the CEO of an integrator, she will need to follow the model of **Jeff Bezos** (or an earlier exemplar, **Mi-**

chael Dell) and develop the skills to lead a company that excels in assembling the best components from specialty-firm partners into a complete solution for end consumers. Key to her company’s fortunes will be dependable, reliable execution; superb supply chain management; a deep understanding of customers; and the ability to shape, reshape, and customize products and services to customers’ unspoken needs. This means that as CEO, she will need to spend a lot of time understanding how her company, its vendors, and its customers work in a holistic, deeply integrated system.

By contrast, the CEO of a specialty firm will be an even more sprightly, shape-shifting entrepreneur. If she finds that her company is being outpaced by new competitors or is no longer relevant to the market — and she may well encounter both of these challenges — she may be forced to shift strategies or exit the business rapidly. Indeed, forward-looking ‘specialty CEOs’ will expect their companies to be in existence for relatively short periods, knowing that they may be bought out by another firm, or that their specialty — and their ability to compete — could have a limited shelf life.

The specialty CEO of 2040 will therefore need to be able to quickly divest a business when it is no longer viable and assemble a new one just as rapidly. That is why her tenure may well be shorter than the tenure of those at the helm of integrators. A small handful of executives in places such as Silicon Valley are already engaging in a prototype of this career model. Known as ‘serial CEOs’, their ranks will continue to swell as the specialty model takes hold in the coming decades.

Another interesting facet of the specialty-firm model is the built-in opportunity for ‘on-ramps’ and ‘off-ramps’, given the prospect that many firms and their leaders will be in place for such short durations. It may well be possible for executives to more easily come in and out of industry — something that bodes well for leaders with families.

A Diversity of Experiences

What else does this evolving competitive landscape mean for Melissa and her path to the C-suite? Quite a bit indeed, beginning with those ‘passport stamps’ she acquires throughout her education and early career.

In aggregate, Melissa's education and early-career experiences are laying the groundwork for a view of the world and of work that is quite distinct from that of people occupying the corner office in 2015. She is likely to have had several high school and college experiences that developed her leadership, entrepreneurial and collaborative skills. She has probably had experiences leading teams — serving as the head of her chess or environmental club, captaining her volleyball team, or working on academic or community projects, for instance. Perhaps more significantly, she has also been involved in working with virtual teams, and she has spent time volunteering, travelling or working in at least one place that is dramatically different from her home region.

Because Melissa is curious and innovative, she may have invented something — say, an app, or a drip-drainage system — or she might have developed a passion for nanotechnology, advanced robotics, or new energy and transportation ideas and turned her interest into a *bona fide* business. She may well be fluent in more than one foreign language, and perhaps conversant in a programming language or two.

More than likely, Melissa will be a graduate of one of the many MBA programs that have adapted their pedagogy to appreciate, emphasize and develop women's typically more empathetic style of leadership. In addition to early-career international corporate assignments, she might spend time working for a mission-driven service organization such as **Teach for America** or an international NGO, or launching a new venture in an emerging market. In doing so, Melissa will be developing a worldliness and respect for the power of diversity that far outpaces what today's CEOs had at her age — and likely possesses even now. A continued focus on learning and seeking experiences in unfamiliar settings will be critical throughout her career.

By the time more women like Melissa reach the CEO's office — and assume an increasing number of influential organizational positions generally — we can expect her employees to follow the behaviour she models. In addition to the wide array of experiences female leaders will bring to bear on their position, a wealth of evidence suggests that they manage people very differently than their grandfathers did. Given this, the office of tomorrow may well be less authoritarian, and more collaborative and balanced, than the office of today.

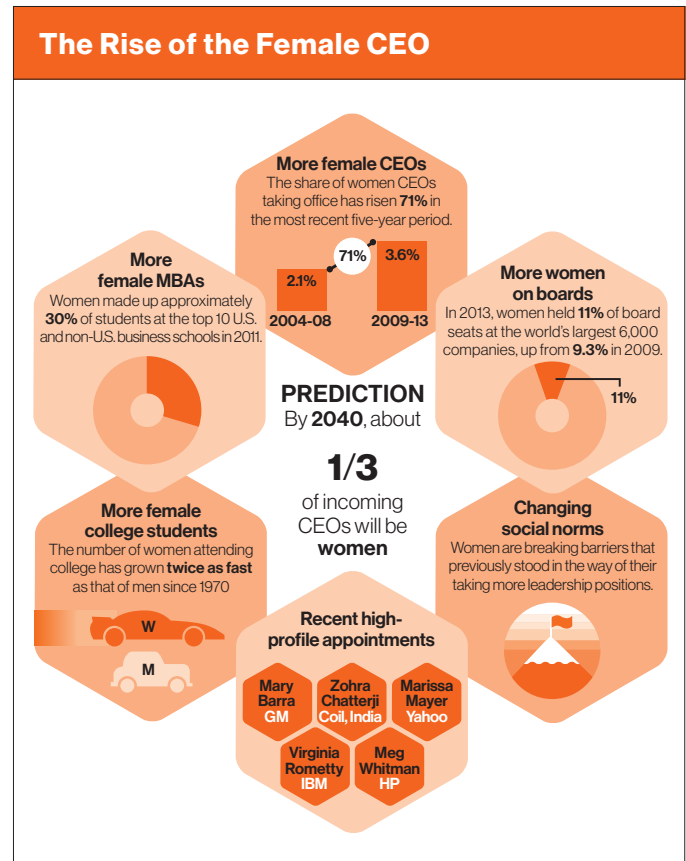


FIGURE ONE

Melissa's empathy and emotional intelligence will come in handy, because her ability to work in teams will be crucial. If she was steeped in teamwork as a student, she will need to embrace it even more now that she's in the top spot, given the importance of building distinctive, cross-functional capabilities. The CEO of the future's role will be to integrate these capabilities, to ensure that everyone helps build and sustain them, and to keep everything working in a highly refined system.

It will behoove Melissa to have a broad understanding of systems, both human and technological. She will be a master in her understanding of the way information flows, operating in a complex and open environment where relationships between organizational elements and companies, their partners, and a range of stakeholders are more dynamic than ever.

Steeped in technology use from her early years, Melissa will be more comfortable with the fact that information technology is deeply integrated into every experience than most present-day CEOs are, and she will be keenly interested in potential disruptions brought on by sudden changes in technology. She will understand how technology enables a reduction of scale and lowers barriers to entry — for both her own company's entry into new markets and competitors' entry into markets that her firm dominates. She will also be an expert in highly flexible digital business models.

Human-centered design will be a likely interest, and she will be on top of the latest waves of consumer technology and how they are shaping the way she engages with her customers. Last but not least, she will know how to pull insights from information in a more rapid and cohesive way than is possible today — even for those on the front lines of Big Data.

A Changed Executive Suite

Melissa will lead an organization that is yet another significant grade flatter than anything we see around us today, because governance, regulatory compliance and quality processes will become even more automated and built into the everyday workings of the firm. Better decision-support systems and a greater focus on company-wide capabilities will make it much easier for information to reach Melissa than is the case for most of her peers today. This will enable the team member closest to a given situation to deal with it directly. In general, employees at all levels will be more likely to know what to do, even in unanticipated situations.

To help run her company, Melissa will rely on a small but diverse group of people who share chemistry and understanding, like a well-tuned musical group. Members of this team will remain in close communication as advisors to the CEO in ways that go beyond their functional roles. If Melissa has a particularly cohesive and high-functioning C-suite, several of its leaders may follow her when she moves to a different company — perhaps even to several different companies if they are leaders in specialty firms.

Of course, some form of hierarchy will still have its place in 2040. Indeed, we anticipate an important new addition to the C-suite: the Chief Resource Officer (CRO), whose role will be very different from anything existing now. The CRO will be responsible not only for human resources, but for all non-financial resources. A combination of factors — the rising number of women in executive ranks, the high level of education and training among global employees, and the ability for people to work anywhere — may reduce the urgency of the war for talent; but the war for resources will be well under way as the effects of climate change shrink the availability of crucial natural resources such as

water, fossil fuels, clean air, and minerals, forcing companies to be more thoughtful about their strategies and approaches.

Over time, the price of resources will reflect their scarcity, and we expect that the best companies will develop products and processes in a more sustainable way. For this reason, measuring and counterbalancing the environmental costs of a company's footprint will become a regular practice. As the 'boss' of the chief resource officer, Melissa will need to take more than a passing interest in these issues, as well.

And just as we welcome the CRO, we will likely bid goodbye to the Chief Strategy Officer by the time Melissa takes the corporate reins. It is unlikely that anyone but the CEO will be entrusted with ensuring ongoing alignment between the company's strategy and the unique capabilities that allow it to win in the marketplace. We will see something similar play out in business units. There will no longer be one group of people planning strategy and another group focused on execution: the same individuals will be responsible for both, and both will be driven by the company's few differentiating capabilities, as defined and built by the company's leaders. Everything will roll up to the CEO, who, compared with today's top leaders, will be attuned to strategy in ways much more refined and specific.

We may also see the emergence of 'corporate capabilities officers' who oversee those few crucial things that the company does uniquely well — its particular strength in innovation, customer insight or supply chain—that provide the foundation for its successful strategy. These roles will vary by organization, depending on the firm's specific competitive strengths.

The Great Connector

With greater access to education throughout their careers and by being drawn from a richer talent pool, employees at all levels will be more highly skilled than today's employees. Many will have earned specialized degrees and multiple certifications (we are already seeing these trends today.) Melissa will have to relate to this workforce on a completely different level than CEOs of the past; she will be as apt to seek out a frontline employee's expertise as she is to provide clear direction herself.

In order for her company to be successful, Melissa will need

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to be more entrepreneurial, financially astute, and risk savvy than her predecessors. She will need to manage institutional and retail shareholders more actively and carefully than most current CEOs do, because investors will be more impatient — not necessarily for short-term financial results, but because they want their voices to be heard. Having grown fully attuned to the age of transparency, investors will be even less forgiving of missteps and excuses than their increasingly-exacting brethren today, and even more tuned in to the company's challenges. Investors will pay very close attention to Melissa's words and actions. Every eye and ear will be focused on her accountability and performance.

As a result, responsibility to all stakeholders will be an increasingly important part of the corporate profile. Regardless of whether existing regulations attempt to prevent her company from doing the wrong thing, Melissa will understand that it is too expensive to risk running afoul of employees, customers, suppliers, investors, NGOs and social and environmental groups. Future employees, customers and stockholders will not have patience with companies that merely pretend to have a social and environmental conscience.

Melissa will very likely be managing all of these relationships without the benefit of a chairman or a board — at least not as we know them today. Given the direct nature of her relationship with investors, in particular, and the high levels of accountability they will demand, the traditional governance structure of the corporation will have outlived its usefulness. Future governance models will be more diverse: although the C-corporation will still exist in some form, other forms of governance will emerge that could obviate the need for a chairman, especially given the prime necessity for agility and transparency.

For all of these reasons, Melissa's communication skills will be paramount. It's hard to imagine anyone reaching the corner office in 2040 who does not possess extraordinary listening, speaking, writing and engagement abilities. The latest forms of social media — which will be the immediate tools of all constituencies, regardless of age — will put Melissa in direct contact not just with investors, but with the range of other stakeholders who want to hold management accountable — whether she likes it or not. With all these interests to manage, Melissa will need to

act a lot less like the titans of 1914 or the company men of 1964, and a lot more like the chancellor of a university, appealing to the hearts and minds of a broad array of constituencies, both inside and outside of the organization.

In closing

We have attempted to paint a picture of the CEO's role 25 years from now — much of it admittedly speculative, but based on our long and deep understanding of the position and the underlying fundamentals driving organizational change.

Leadership has experienced an amazing evolution, and the road ahead is going to be less and less predictable. It will require every ounce of flexibility, emotional intelligence and creative thinking that executives like 'Melissa' can muster. **RM**



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