



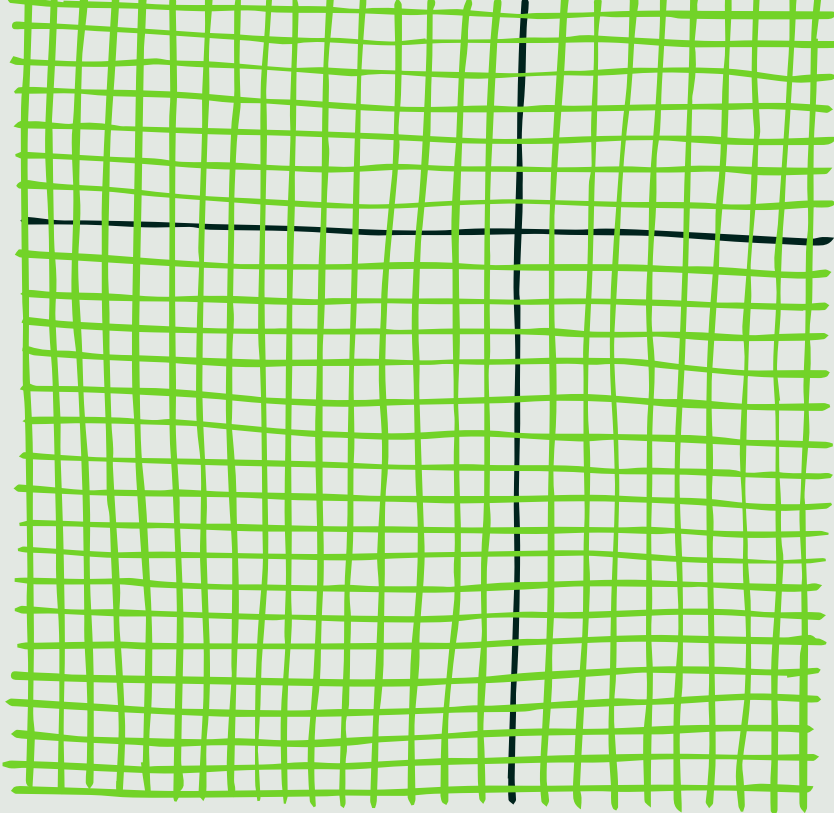
Transformational Leadership

Emerging challenges
& key skills needed
for success



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Executive summary

This report provides insights from 823 UK-based senior leaders, giving a comprehensive overview of the key challenges facing the C-suite and the essential skills they need for success today and in the next five years.

Notable challenges facing senior leaders include cybersecurity, technology change, and talent shortages. This highlights the need for senior leaders to be agile in decision-making, become more adaptable and acquire strong digital skills. The report also shows widespread recognition of the importance of social mobility in shaping leadership teams of the future, increasing representation and bringing a wider set of experiences, qualifications and perspectives to the executive committee.

Leadership quality was revealed to be one of the top three factors determining the success of a transformation programme. A third of respondents named “lack of leadership skills” as one of the major challenges faced, stressing the need for organisations to invest in highly experienced talent for their transformation programmes.

In today’s digital world, cyber-attacks remain a major threat, necessitating investment in skilled IT and cybersecurity professionals with the expertise needed to safeguard the company’s technology. While recognising AI’s potential, leaders demonstrate hesitancy to implement it. 78% of respondents expect AI to play a significant role in their organisations success over the next five years, but only 53% of respondents plan to run an AI transformation programme in that same time period.

Senior leaders must become comfortable with an increasing pace of change over the next five years. Evolving technologies will inevitably lead to increasing customer and investor demands, so adopting a future-focused mindset, understanding the latest technologies and creating an agile culture is key to maintaining a competitive advantage.

Pursuing transformational leadership

Leaders today are dealing with a volatile macroeconomic landscape, employees and customers with fast-changing expectations, instability across the supply chain, digital vulnerabilities, and more.

So what do leaders today need to know about the trends and challenges ahead, and how can they best future-proof themselves?

What skills and mindsets are essential for the C-suite now and in five years time?

To provide insights and guidance, we reached out to our network and spoke with 823 UK-based senior leaders.

What we found is the need for transformational leadership; a leadership style and a skill set with transformation expertise at its core that will help senior leaders advance their businesses, support their teams, serve their customers, and get ahead of the curve.



Change is constant

Transformation is an integral part of the business landscape today. Only 2% of respondents believe their organisations will not undertake any transformation programmes over the next five years. 82%, meanwhile, assert that not only will it take place, but it will increase in rate and scale.

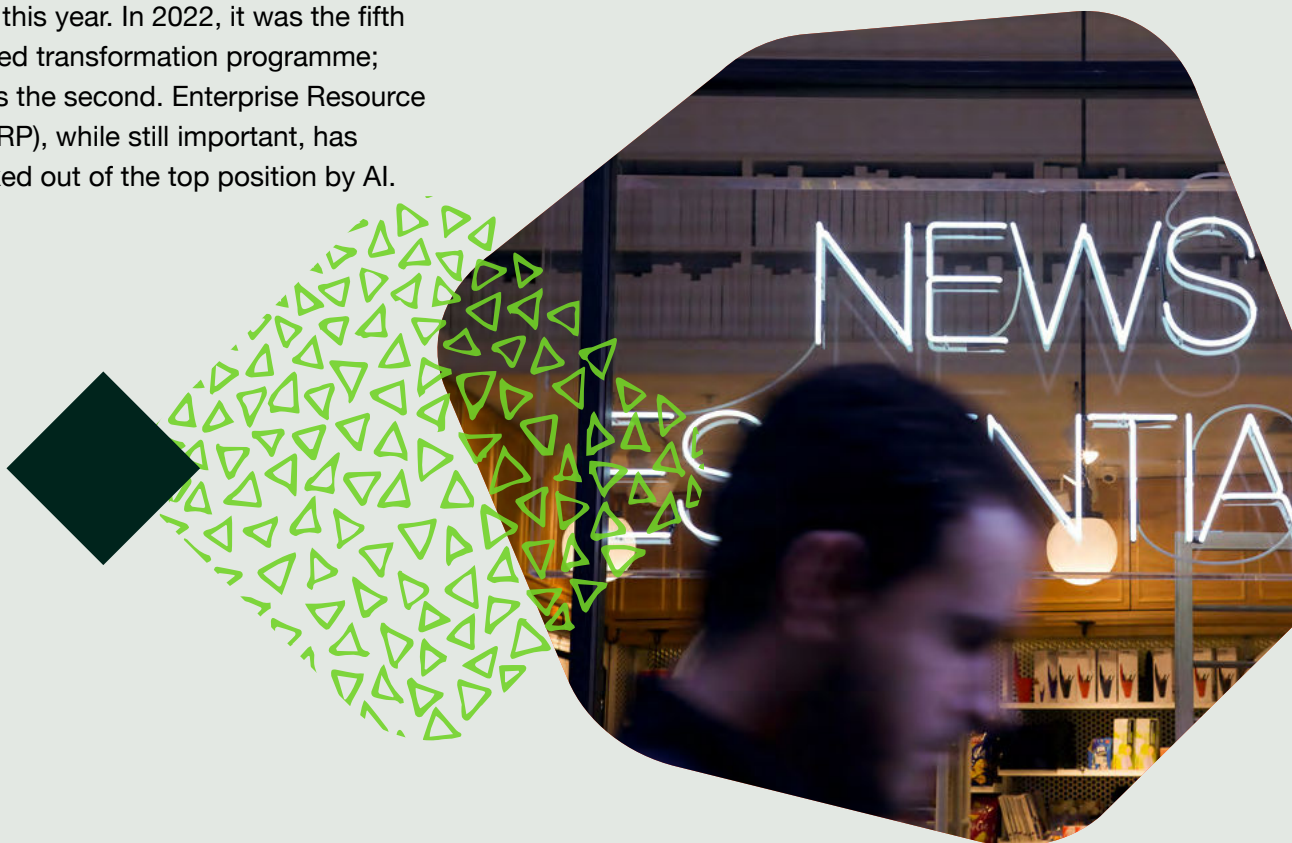
Business leaders identify several key factors driving the need for change, including: cost saving, expansion, digitising processes, and meeting and improving shifting customer needs.

The ranking of the top five has shifted slightly since our [report in 2022](#), however, highlighting the current priorities for organisations. There is increased primacy placed on digitising processes in today's market, for example, and a particular focus on the customer.

This is further underscored by Customer Relationship Management (CRM) moving up the ranking this year. In 2022, it was the fifth most pursued transformation programme; this year, it's the second. Enterprise Resource Planning (ERP), while still important, has been knocked out of the top position by AI.

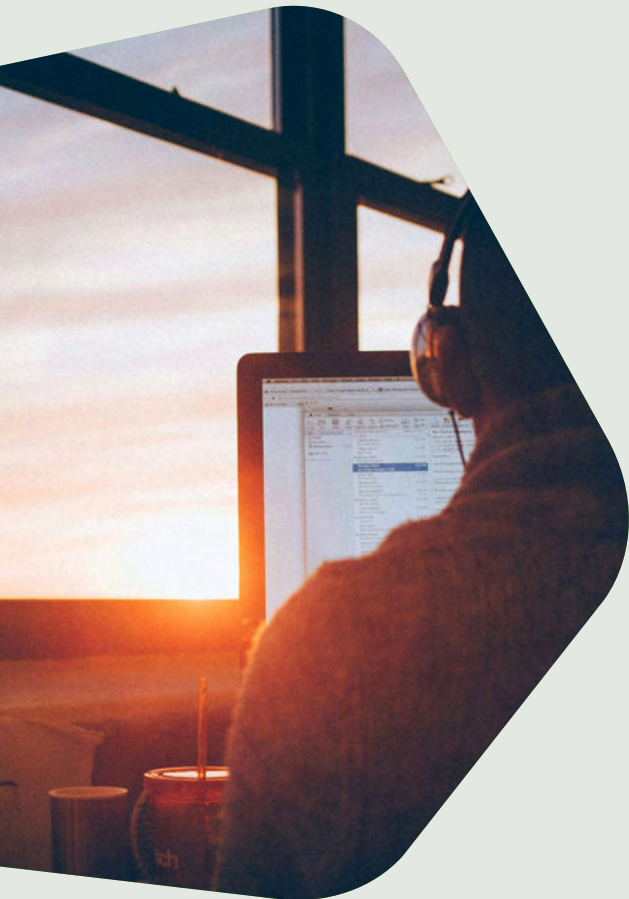
These are not small tasks that organisations are planning to undertake. Have they set themselves up for success, or is there work to be done?

With almost three-quarters of respondents thinking that their most recent transformations have been successful, it seems business leaders are confident in the changes they've already made. But they've encountered challenges – many of which they believe will remain problematic in the coming years.

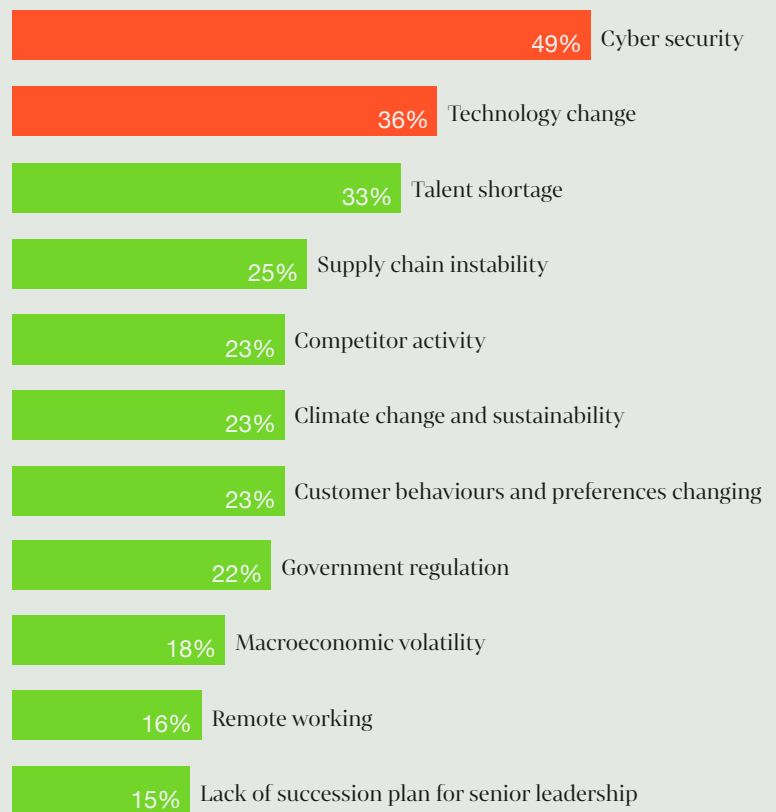


Navigating an increasingly digital world

Cyber security and technological change are the two most pressing concerns for business leaders today, and it's clear to see why.



What are the challenges you are currently facing in your organisation?



UK businesses have reported an estimated 2.39 million cyber attacks over the last 12 months alone, and this looks set to increase. "AI will almost certainly increase the volume and heighten the impact of cyber attacks over the next two years," according to the [National Cyber Security Centre's recent report](#).

It therefore comes as no surprise that 49% of senior leaders say they are currently facing cyber security challenges, and 43% expect those challenges to continue over the next five years.



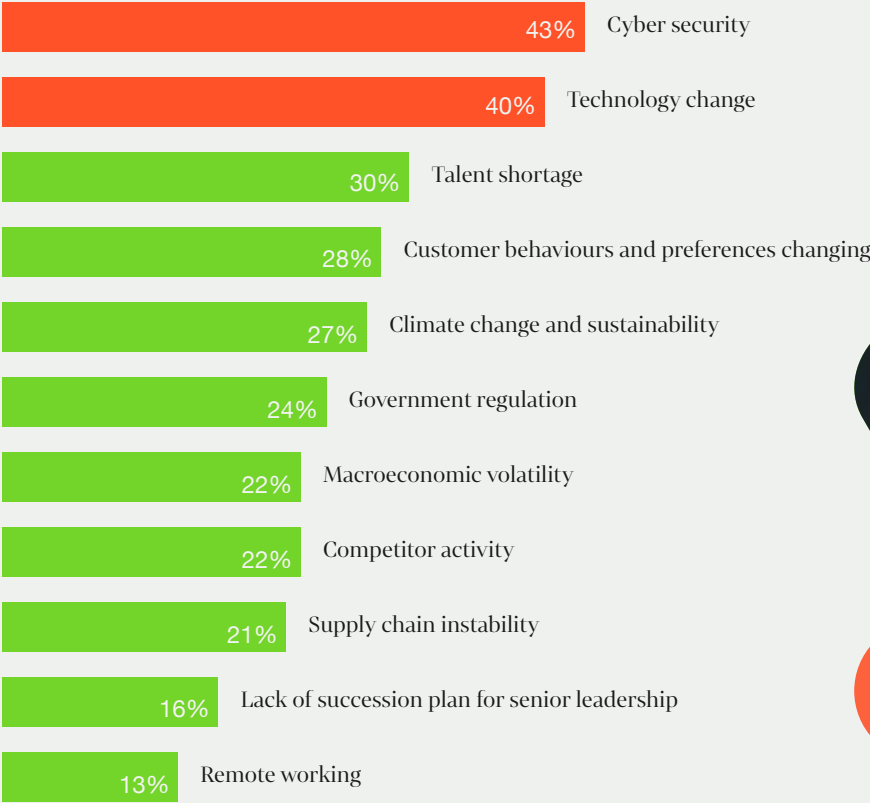
Tech changes are also thought to be problematic, both now and in the future.

Businesses and senior leaders are treading a fine line between adopting new technologies to stay ahead of their competitors and opening their organisations up to further vulnerabilities for cyber criminals to take advantage of.

It's critical that organisations have appropriate processes and systems in place to protect themselves.

This poses an increasing need for highly skilled cyber security and risk professionals to advise the C-suite and play a key role in the implementation of any new technologies, preventing against and protecting from cyber attacks.

What challenges do you expect to face in the next five years?

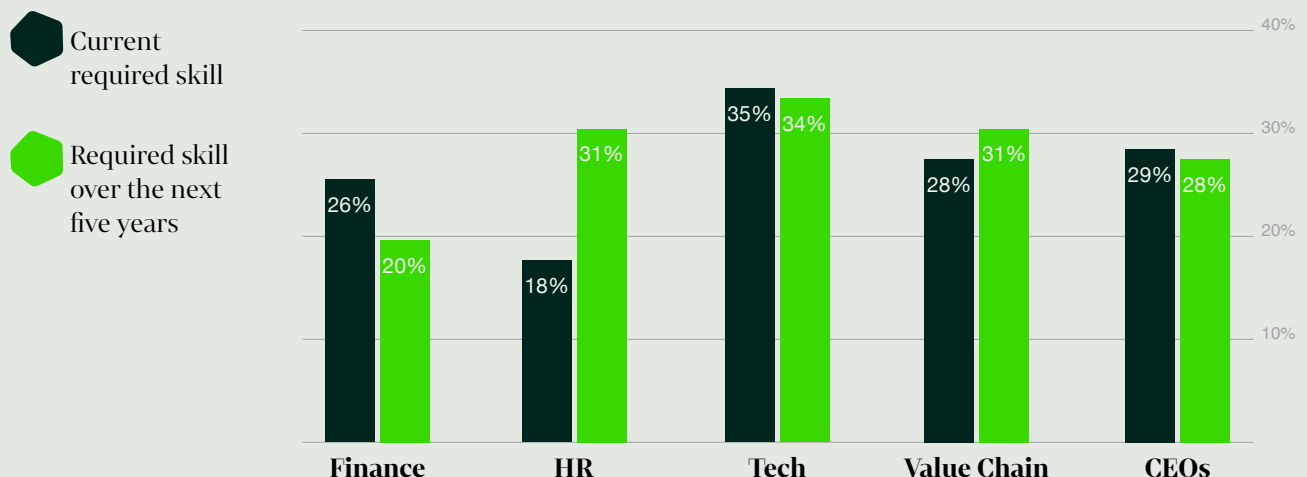


The importance of digital skills

With the fast pace of technological advancement, not to mention digital issues moving higher up the corporate agenda and becoming a focus for transformation, it is more important than ever that C-suite leaders are adequately equipped.

And our respondents agree, identifying digital skills and understanding as one of the top three skills leaders will need over the next five years in order to succeed in their roles.

How are 'digital skills' rated as a current vs required skill over the next five years?



However, this holds true for some functions more than others. Only two in 10 senior finance leaders consider digital skills to be a requirement for the future, for example. While this could be explained by their focus being elsewhere (improving their core skills like reporting, forecasting, and risk management, for example) or by their reliance on other specialists to handle such tasks, overlooking digital could prove problematic for the function moving forwards.



After all, four in 10 senior finance leaders currently believe that technological change will be one of their major upcoming challenges.



Due to a historical lack of digital investment in the HR function, there has been an inevitable lack of focus on the need for digital skills. As this becomes more of a business-critical skill, 31% of senior HR leaders expect to require development in this area over the next five years to be successful, despite only 18% currently viewing it as a current priority.



“A frustration has built up for some time due to the limited ability to make data-driven decisions in the HR function. New investment and acquisition of strong digital skills will provide HR Leaders with the tools needed to make more strategic decisions and provide meaningful contributions to long-term business growth strategies.”

Emma-Claire Kavanagh

Managing Director, People & Culture Leadership Practice, BIE

It's important to recognise that the digital landscape is constantly evolving, and possessing digital skills can significantly contribute to driving innovation, efficiency, and competitiveness within specific functions, as well as across the overall business.

Technology is also an important factor in the success of many transformation programmes (not to mention often being the ultimate aim). Indeed, for two in 10 respondents, a lack of skills with technology is one of the most significant challenges facing transformation programmes. It would be risky, therefore, to underestimate the importance of developing and maintaining skills in this area. They will become increasingly non-negotiable, both in terms of leading teams and navigating the increasingly digital business environment.



The rise of AI



Another issue preoccupying the business leaders we spoke with is AI, with more than three-quarters believing that AI will play a significant role in the success of their organisations in the near future.

It's easy to see why, as AI has the potential to beneficially contribute business insights, boost better engagement with employees and customers, automate processes, and more.

Currently, AI is the top area of focus for transformation for respondents, with over half of those we spoke with considering running such a programme - significantly more than any other area.

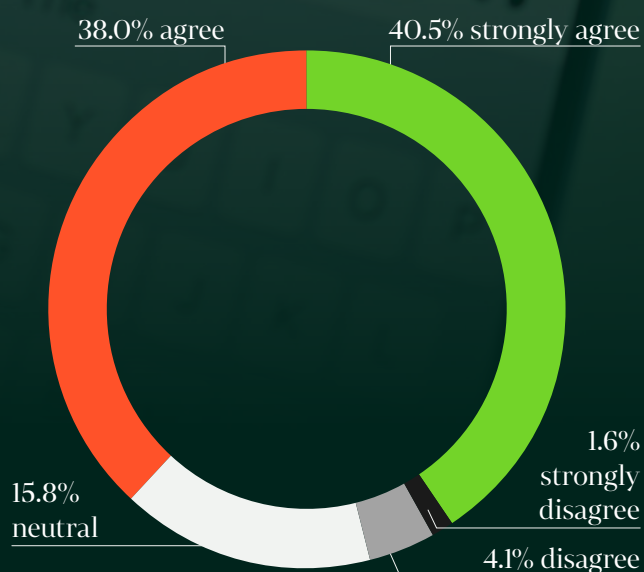


“Artificial intelligence in the form of Robotic Process Automation is commonly used across finance functions. However, from what we see, few organisations are using AI to provide true business insight, it is still a work in progress. Whilst there is hype around AI replacing the finance function we simply do not see that. The organisations that have generated the best value from AI have done so by adopting it in targeted, discrete areas of the finance function.”

Amy Luke

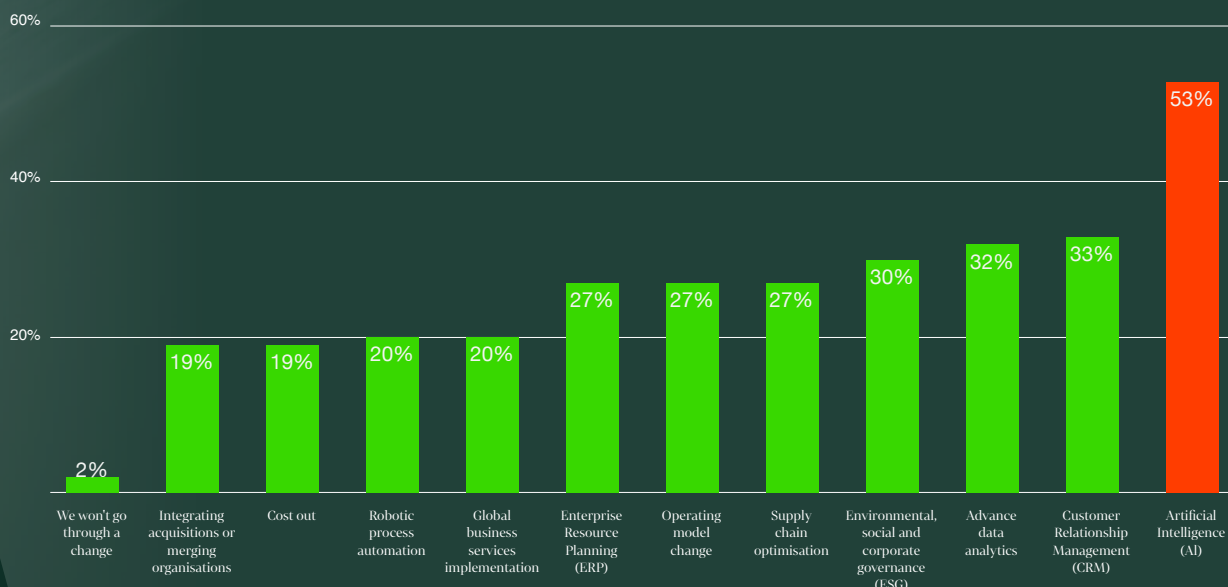
Senior Director, CFO & Financial Leadership Practice, BIE

AI will play a significant role in the success of my organisation over the next five years



However, while the majority of respondents see the potential for success with AI, our research reveals that this does not translate directly to planned action.

Which of these areas will you run transformation programmes on in your organisation over the next five years?



That makes sense, especially considering the cyber security challenges on the horizon. As is often the case with emerging technologies, senior leaders often want to see more viable examples of how AI has been implemented in other businesses before investing their own time and money.

Interestingly, fewer senior finance leaders are confident in the potential of AI than their counterparts in other functions. “They may not view AI as the disruptive, novel technology that others do because, as early adopters, they’re already using it as a standard tool for improving efficiency and decision making,” explains **Simon Moore, Managing Director for BIE’s CFO & Financial Leadership team**. “To them, it’s not necessarily the shiny new strategic tool that will drive change moving forwards.”

Amy Luke, Senior Director in BIE’s CFO & Financial Leadership team, agrees, adding: “Artificial intelligence in the form of Robotic Process Automation is commonly used across finance functions. However, from what we see, few organisations are using AI to provide

true business insight, it is still a work in progress. Whilst there is hype around AI replacing the finance function we simply do not see that. The organisations that have generated the best value from AI have done so by adopting it in targeted, discrete areas of the finance function.”

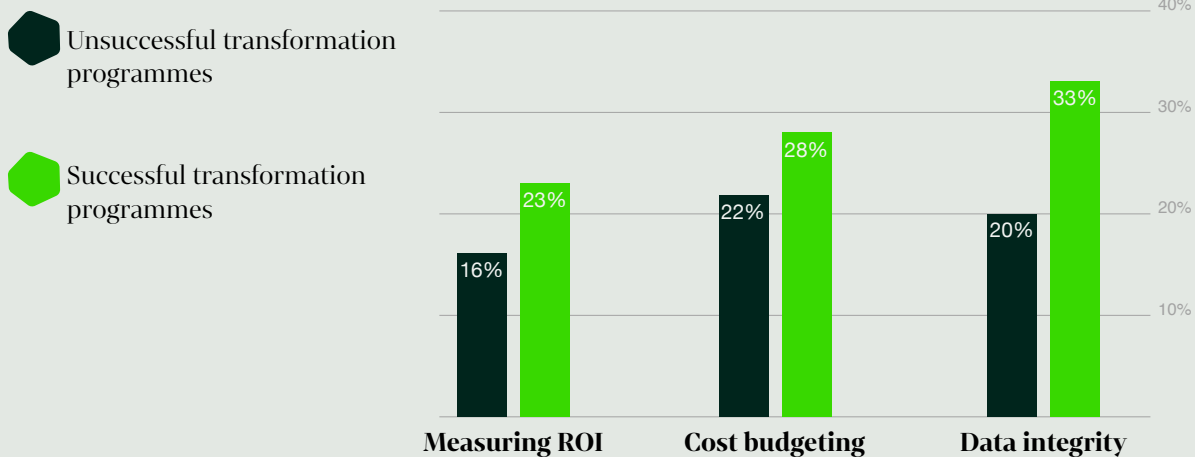
The technology function is predictably the most optimistic about the potential of AI, with 85% seeing AI playing a significant role in their organisation over the next five years. Despite this finding, only 60% of senior technology leaders assert that they are likely to run an AI transformation programme in the near future.

The gulf that exists between acknowledging the potential of AI and implementation raises questions about what it will take to run a successful AI transformation programme, and what will tip the scales in terms of turning enthusiasm into action. AI is a hot topic currently, but it’s clear that there is a way to go before the business community at large is driving change in this area.

Invest early, invest well

High quality data is of vital importance during transformation programmes – and the amount of time, effort, and money that is required to maintain data integrity must be built in – and there is a risk that this can be overlooked.

Top three challenges for successful transformation programmes



“There needs to be a bigger focus on investment to ensure the quality of data early in the programme timeline. This should be built into the business case from the start.”


Simon Cordery

Managing Director, Transformation Practice, BIE

It's clear that there is an overwhelming need for the Chief Technology Officer (CTO) or Chief Data Officer (CDO) to become more involved in transformation leadership. The results show that 'data integrity' is the biggest challenge (33%) for senior leaders in successful transformation programmes, and 28% of all respondents state that digitising processes will be one of the biggest drivers of transformation over the next five years.

Hannah Hill, Research Director for BIE's Technology Leadership Practice agreed and stated that

“Combatting data integrity is often about driving a cultural shift within an organisation, where the understanding and then influence of the executive team can be a big part of enabling the shift in process needed to guarantee data integrity.”



Ensuring the quality of the data from the start of a transformation programme is also likely to have an impact on one of the other biggest challenges facing successful transformation programmes: measuring the return on investment (ROI).

Without effective data and analytics processes and systems in place, it will be difficult for organisations to determine the ROI of their transformation. Indeed, it calls into question how successful these transformation programmes have actually been, given that almost a quarter of those deemed ‘successful’ struggled with measuring ROI.

“

“Combatting data integrity is often about driving a cultural shift within an organisation, where the understanding and then influence of the executive team can be a big part of enabling the shift in process needed to guarantee data integrity.”

Hannah Hill

Research Director, Technology
Leadership Practice, BIE

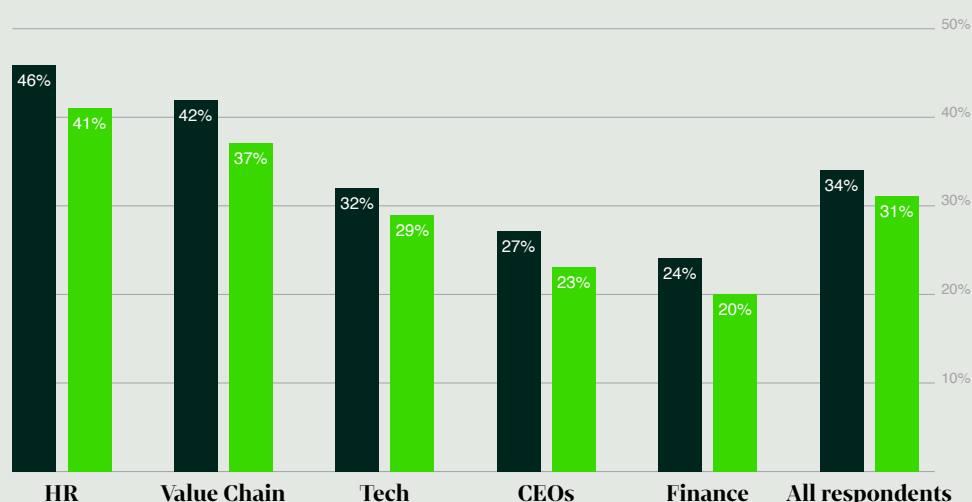
Talent is everything

The war for talent continues

Talent shortages are and will remain a considerable problem for organisations across the business landscape.

How does 'talent shortages' rate as a current vs expected challenge over the next five years?

- Talent shortage is a current issue
- Talent shortage is an expected issue in five years



Looking ahead, respondents cite it as the third most pressing challenge facing their organisations, which, while still a serious issue, is an improvement from 2022 when [our research](#) revealed that hiring and acquiring talent was in the second position.

Unsurprisingly, HR leaders in particular see this as a key challenge, with 46% saying that they are currently facing a talent shortage and 41% expecting it to remain an issue over the next five years.

Given that almost 50% of HR leaders are struggling to bridge the skills gap in their organisation and are facing a lack of resources to introduce the necessary talent, we can expect a larger focus to arise on employee retention and training to prevent their skills gaps from widening – and the sooner, the better. According to [Work Buzz's recent employee engagement report](#), 89% of respondents said employee retention is staying the same or getting harder.

Chief People Officers (CPOs) and senior HR leaders need to re-evaluate their current employee retention strategies to address their talent challenges.

When comparing responses between differing departments, it's clear that CEOs and senior finance leaders do not consider talent shortages to be as much of a challenge compared to other departments. This is likely because they often take a broader and longer-term view of current and anticipated risks across the business, with challenges such as changes to customer behaviour and government regulation featuring higher for them. This also suggests that CEOs and senior finance leaders already have confidence in the capabilities of their HR teams to combat any talent shortages effectively. BIE's CEO, Gordon Whyte, agrees, adding "CEOs typically have a niche and narrow pool of candidates to hire from in their direct reporting teams. These teams tend to have a higher degree of stability than lower layers in an organisation so, on balance, the CEO might feel the pain of talent shortage less frequently than their direct reports."

Agency use and interim talent are key to future organisational success

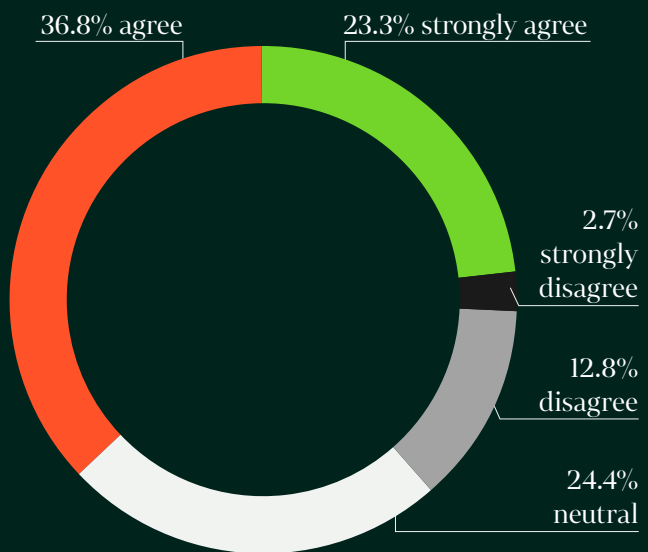
With pressure from the talent shortages increasing, it's unsurprising that 60% of respondents plan to use more interim capability in the next five years.

CEOs are even more in favour of this move, with almost three-quarters of those surveyed asserting that it's a valid option for helping their organisations achieve their strategic goals.

CEOs could see this interim capability as a way to target specific objectives and move the organisation forward at pace when required.

Gordon Whyte, BIE's CEO, views this strategy "as a fast, effective and flexible resource, that can deliver results at pace on a needs basis and not overload a permanent headcount cost base." This can be particularly helpful during transformations, which often require deep levels of expertise on a targeted basis.

We will use more agencies and interim talent to achieve our strategic goals over the next five years



"CEOs may favor interim talent as it is a fast and effective, flexible resource to deliver results at pace on a needs basis and not overload a permanent headcount cost base."

Gordon Whyte
CEO, BIE



The value of leadership

Change comes from the top

The quality of leadership in a transformation programme is arguably one of the most important drivers behind determining its success.



“Strong leaders create strong results – it’s as simple as that.”

Simon Cordery

Managing Director, Transformation Practice, BIE

Our research reveals that the top four challenges identified by senior leaders who said their transformation programme was ‘unsuccessful’ are all related to organisational and programme leadership: lack of transformation skills (31%); lack of leadership skills to drive the programme forward (30%); lack of transformation strategy (29%); and leadership alignment (28%).

To ensure the success of a transformation, it’s vital to lead from the top. Organisations need to invest in exceptional talent with proven experience in leading change successfully; quality leaders who can take organisations and people through change, with experience across all stages of transformation, including planning, execution and ROI analysis. After all, leadership can make or break a programme. A lack of leadership was the major challenge for 30% of unsuccessful programmes, but only 15% of successful ones.

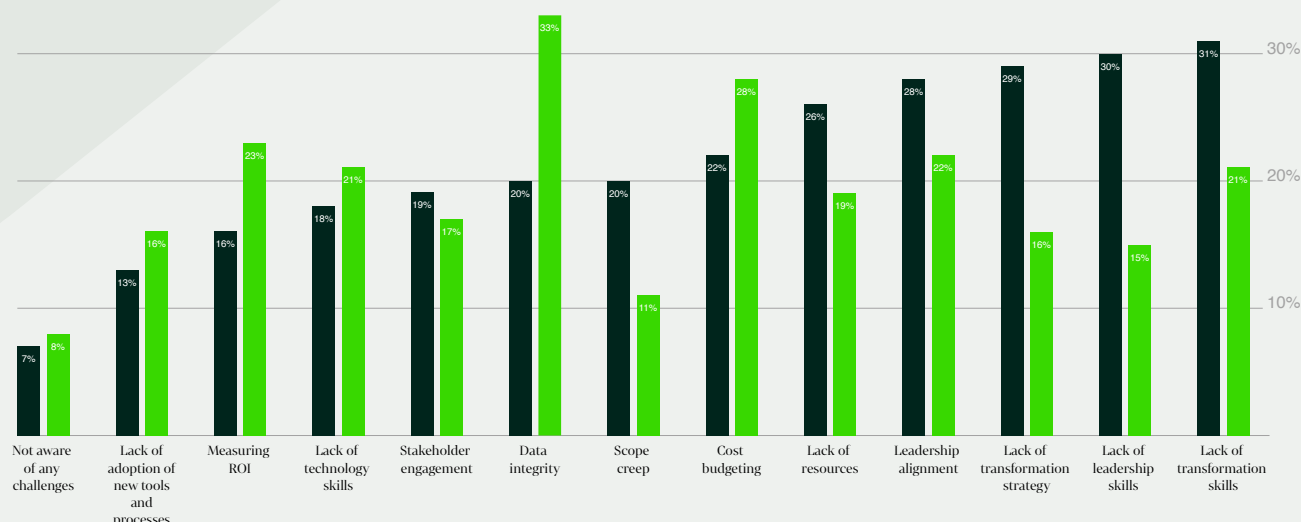
Key challenges senior leaders faced in unsuccessful vs successful transformation programmes



Challenges in unsuccessful programmes



Challenges in successful programmes



Alignment makes all the difference

Leadership alignment across the executive committee is also a key factor in the success of a transformation, with 28% of respondents in unsuccessful programmes citing it as a significant challenge.

Without unity, programmes can easily suffer from breakdowns in communication, a lack of enterprise buy-in, a lack of comprehensive strategy, and more. This underpins the need for experienced talent who can effectively plan and communicate the needs and goals of upcoming transformation programmes to the rest of the board and ensure the wider workforce will see the value in the change coming.

Effective transformational leadership also requires alignment across the board and the executive committee on the future direction of the organisation and the behaviours and activities required to get them to their destination.

Over the last two years, however, a disconnect has started to emerge surrounding transparency and openness. 42% of CEOs feel the level of transparency at board level has been increasing over that period, compared to only 35% of C-Suite respondents, and 30% of director respondents. While CEOs feel that they are doing a good job in terms of being transparent and open with the rest of the organisation, the further down the organisation you go the more the perception of openness declines.

There is evidently a desire for more transparency in many organisations that is not being addressed. Whether this is due to external pressures, a lack of communication skills, or a lack of awareness, it suggests this is an area for improvement. Senior leadership teams could benefit from some group development sessions, for example, to ensure they are aligned on the key issues and challenges and how to communicate with the rest of the organisation.



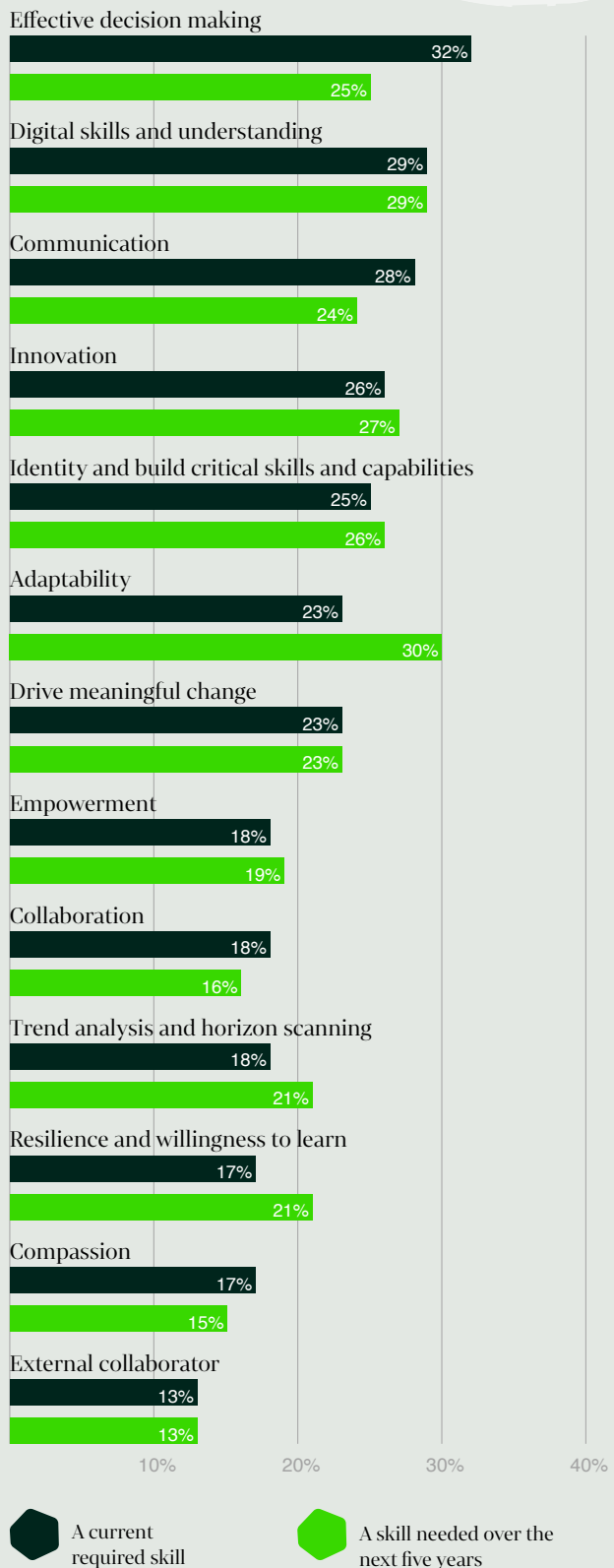
Adaptability is critical for future success as a leader

Today's leaders prioritise effective decision-making, but looking ahead, adaptability is identified as the most crucial skill for success.

Digital skills, communication, innovation, and building organisational skills and competencies, meanwhile, generally hold steady as important both now and in the future. This is no surprise, given that technology change is rated as one of the biggest challenges senior leaders will face over the next five years. Not only this but with the increasing scrutiny companies are under from regulatory boards, as well as shifting investor demands and ever-evolving consumer needs and expectations, senior leaders will need to become more agile and reactive to stay compliant, while maintaining a competitive advantage and staying attractive to consumers and investors.

Interestingly, when comparing the responses from respondents working in private equity (PE), FTSE/AIM listed and privately owned companies, there is no significant difference between the key skills needed for success in the C-suite. This suggests that the core skills C-suite leaders need to be successful are consistent, regardless of the ownership structure. While PE backed organisations often look for candidates that have historical PE experience, this could be an opportunity for them to widen their search based on specific competencies, rather than focusing so heavily on previous experience.

Current vs expected skills needed for success over the next five years



Significant shifts are happening at the board level

With organisational change having a greater chance of success when it is driven from the top, it's encouraging to see that many respondents believe significant change is taking place at the board level.

A quarter of respondents believe that boards have an increasing appreciation for the competitive advantage provided by diverse perspectives, for example. The majority of those we spoke with believe that boards are likely to become more diverse in terms of backgrounds, experiences, and qualifications in order to help organisations achieve their strategic goals.

Furthermore, 55% of CEOs agreed demonstrating that there will be a major push on social mobility from the very top of organisations to create diverse, inclusive cultures for all. It's likely, therefore, that social mobility will play a role in shaping leadership teams over the next five years. Respondents also believe that there will be increased diversity more broadly – encompassing race, ethnicity, age, and gender – which has the potential to significantly widen the talent pool.

“There should be more storytelling because often lower socio-economic backgrounds can be hidden in organisations. The sharing of stories contributes to normalising the social mobility conversation and is a powerful tool in creating an inclusive and welcoming culture.”

Eoin Canty
ED&I Lead, BIE

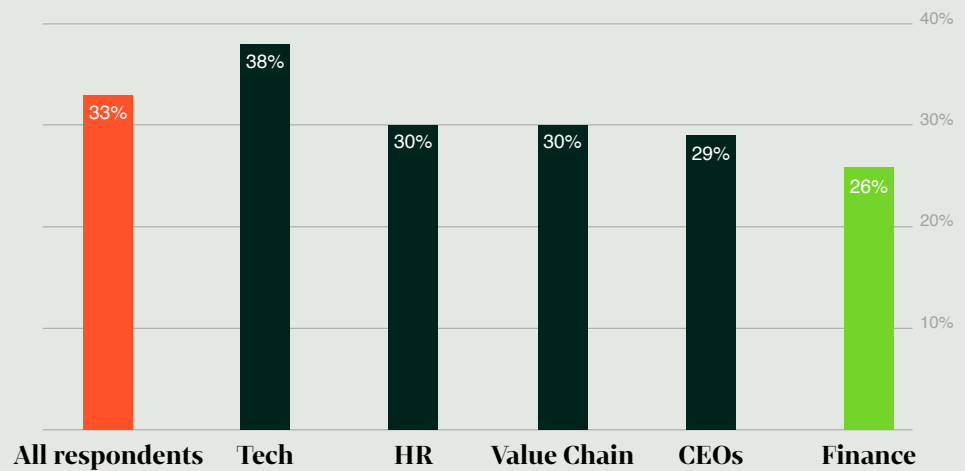
Going forward Eoin Canty, BIE's ED&I Lead suggested that “there should be more storytelling because often lower socio-economic backgrounds can be hidden in organisations. The sharing of stories contributes to normalising the social mobility conversation and is a powerful tool in creating an inclusive and welcoming culture.”

This should also help contribute towards one of the major challenges many companies face when driving the social mobility agenda forward; data collection. The more comfortable people feel, the more likely they are to be willing to contribute to any social mobility surveys shared internally, which as a result will allow companies to monitor the effectiveness of their ED&I strategies and make more informed decisions going forward.



Additionally, 33% of all participants claim that sustainability considerations have been integrated into the board's decision-making processes over the past two years. However, when analysing the responses based on functions, it is surprising to find that only 26% of finance leaders agree with this statement.

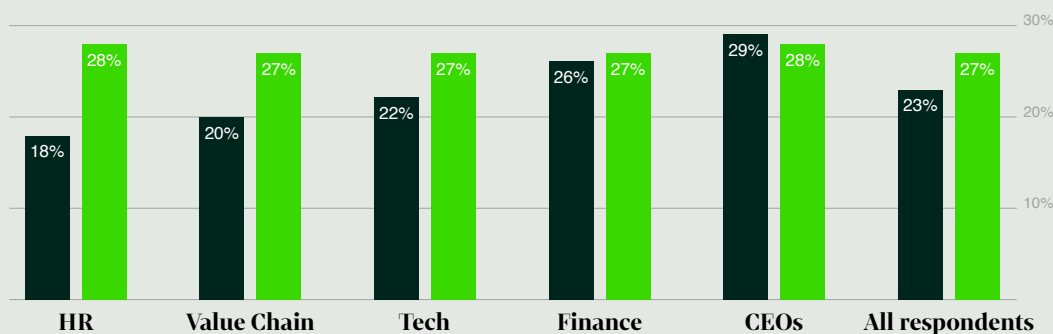
Sustainability considerations have become embedded into decision-making processes over the last two years



Finance leaders also rank 'climate change' higher as a current challenge compared to all other departments, demonstrating that they believe more work needs to be done to progress in ESG matters such as these.

How is climate change rated as a current vs expected challenge over the next five years?

 Climate change is a current issue
  Climate change is an expected issue in five years



Climate change can have a direct impact on several areas of the business, from brand loyalty and investor interest, to supply chain management and regulatory compliance.

Given its influence, climate change poses significant financial risks to organisations, which could explain why CEOs and senior finance leaders rank climate change higher as a current challenge than other functional leaders.



Setting the conditions to thrive

It's clear that technology, and especially AI, continues to cast an increasingly large shadow over senior leaders across all organisations in today's market.

From impacting the challenges they anticipate facing over the next five years, to the skills that they are going to need to be successful, it is something senior leaders simply cannot ignore if they are to be successful.

In order for leaders to be truly transformational in their organisations, they will need to balance the risks of embracing new technology and addressing cyber security challenges, with the huge opportunities that technologies like AI present. Ensuring they have the right talent in place to lead these transformations, both on a permanent and interim basis, will be key to the success of these initiatives.

If senior leaders are able to navigate these challenges, and develop the skills required to thrive, they will be able to operate as transformational leaders.



Key takeaways

1

Cyber security, technology change, and talent shortages are the biggest challenges senior leaders are currently facing and expect to face in the near future.

4

Leadership quality and transformation capability can make the difference between successful and unsuccessful transformation programmes.

2

Adaptability, digital skills and understanding, and innovation are the top three key skills all C-suite leaders need to develop over the next five years.

5

Data integrity is a significant challenge in successful transformation programmes, demonstrating the need to invest early in the right technologies, processes, and talent.

3

There is currently a disconnect between the CEO and the rest of the executive committee in terms of board transparency.

6

AI is an area of interest for many organisations, with it becoming a major focus for transformation, but there is a gap between enthusiasm and action in the current market.

Talk to an expert

If you would like to discuss anything from this report in more detail, or if you are looking for any support on the challenges discussed, then please get in touch with one of our team.



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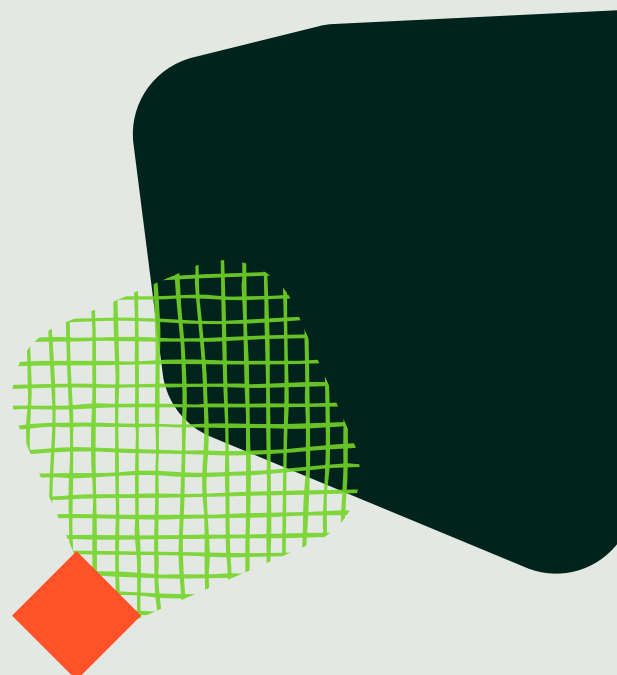
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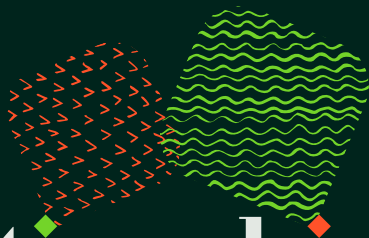


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