KORN FERRY
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CHARTING THE COURSE OF TECHNOLOGICAL TRANSFORMATION

Thought Leadership

Korn Ferry's integrated assessments increase the likelihood that new CEOs will lead successful technological transformations.

For businesses to remain competitive, they need to harness data and technology to streamline operations, elevate customer experiences, and sharpen decision-making, thereby boosting both efficiency and innovation. Increased computing power, connectivity, and data growth have driven organizations to improve adaptability through technological transformation—a trend accelerated by the COVID-19 pandemic and rapid advancement in artificial intelligence (AI). As technological disruptions continuously challenge businesses, studying how CEOs lead organizations through these transformations can uncover strategies for navigating uncertainties and seizing new opportunities.

Any transformation requires a fundamental reboot of an organization's way of operating, often falling on the shoulders of top business leaders. Our latest study shows that CEOs with strong leadership qualities outperform their peers in driving technological transformation and increasing related revenue growth. Companies that hired CEOs who performed well on Korn Ferry's integrated assessment process saw a significant boost in the adoption of technology over the four years following the leadership change, while those with CEOs who performed unsatisfactorily experienced stagnation. What's more, increased technological adoption is linked to stronger financial performance: by the end of the fourth year, highly competent CEOs achieved an annual growth rate of 5.5 percentage points higher than their peers.

Our study examined the relationship between CEO assessment performance and their companies' technological transformation and revenue growth. It identified five key competencies—*Strategic Thinking, Builds Network, Communicates Effectively, Courage,* and *Being Resilient*—associated with higher levels of technological adoption. This suggests that a diverse set of skills helps CEOs advance technological transformation more effectively.

This new research confirms our earlier findings: using holistic and scientific assessments increases the chances of hiring highly competent CEOs. With Korn Ferry assessments, boards and organizations can better identify new leaders who can buck the CEO turnover trend, stack the odds of achieving better financial outcomes, and lead successful technological transformation.

Quantifying Technological Transformation

The rapid pace of technological advancements has greatly affected the way companies operate and compete. These technologies come with many labels – AI, analytics, automation, cloud, digitization, machine learning, the Internet of Things (IoT), and more. To remain competitive, companies must adapt their business models, processes, and infrastructure to align with new technological reality. Depending on the nature of the business, companies can use a unique mix of these technologies and integrate them into their operations to drive innovation and growth.

Technological transformation refers to the adoption of new technologies to renew business models and enhance value creation. It goes beyond changing the technical infrastructure, fundamentally altering how a company creates and delivers value to customers. This transformation affects all aspects of organizational life, including strategy, structure, process, culture, and behaviors.

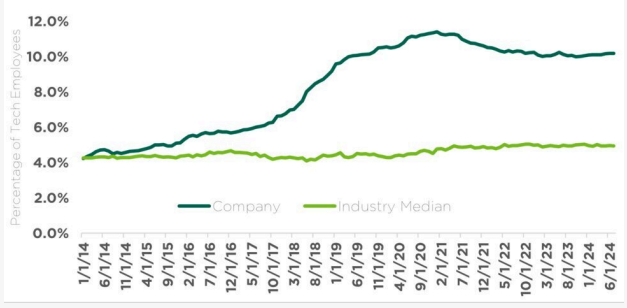
Technological transformation requires investing in new technologies and upskilling the workforce. A company's success in adopting and leveraging these new capabilities depends on the technical skills and competencies of its staff. Management scholars concluded that a lack of technical skills in the workforce poses a significant obstacle to technological transformation. Monitoring the recruitment of technical skills is similarly recommended by practitioners as an approach to assessing technological adoption.

Case Study:
Trucking Ahead into the Future

Ten years ago, drivers at a trucking company wasted nearly one-third of their driving hours due to inefficient communication and outdated dispatching. These issues, along with pay-per-mile incentives, contributed to a growing driver shortage, especially as e-commerce surged.

The company revamped its operations by implementing a new tech platform that matched freight with nearby carriers. The change involved a significant investment in technology, which increased the percentage of tech employees from 4.5% of the workforce in 2014 to over 10% by 2019—a level that has remained stable ever since. As a result, the trucking company more than doubled its revenue, outperforming most competitors.

Figure 1. Tech employment in a trucking company undergoing technological transformation.



In line with management science, we used the ratio of technical roles to total headcount in a company to quantify the extent of technological transformation. The expansion of technical roles reflects the emphasis a company places on technology, suggesting a high likelihood of technological transformation. However, the ratio should be interpreted in context. For example, industries with inherently lower tech needs might naturally have a lower ratio, which doesn't necessarily indicate poor technological adoption. To control for contextual differences, our research used an industry-adjusted technological transformation index for each company, reflecting its relative level of technological adoption within its industry, expressed as a percentile. For instance, a 90th percentile ranking means the company's level of technological adoption surpassed 90% of its industry peers. The index captures nine broad categories of roles, including software, cloud infrastructure, general infrastructure, data engineering, data science and analytics, security, network, transformation, and support (see the Appendix for the nine role categories and examples of job titles). These role categories span various functions and responsibilities, reflecting the multidimensional nature of technological transformation.

The CEO's Impact on Technological Transformation

CEOs directly influence how well an organization performs. Their vision, experience, and personal preferences shape an organization's strategic choices and set the priorities for the leadership teams, ultimately affecting the entire organization. Transformational success is highly influenced by the leadership of the CEO.

We analyzed a sample of 59 business leaders who completed Korn Ferry's integrated assessments and later became CEOs of public companies. The assessment process included an in-depth behavioral and market interview, online psychometric assessments, verbal 360s and in some cases a comprehensive CEO simulation exercise. Leaders were evaluated on a set of competencies. Participants received scores on each competency and an aggregated competency score.

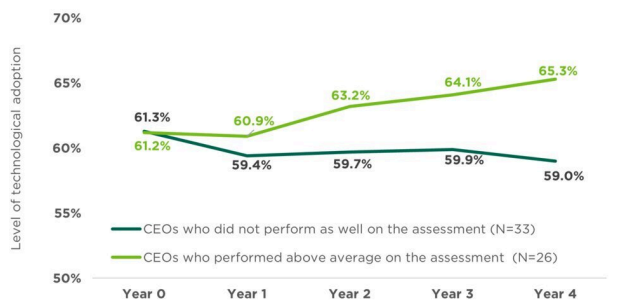
We matched their assessment data with the transformation index to explore the link between leadership qualities and technological transformation. The companies in our samples come from various sectors, with the most prominent being industrial (44.1%), life sciences

(11.9%), consumer goods (11.9%), and financial services (10.2%). When new CEOs were placed, the median market capitalization of their organizations was $1.8 billion. While around 80% of these companies are US-based, the sample also includes companies from Canada, the UK, Australia, Germany, and Brazil.

We divided the sample into two groups: the first included CEOs who performed above average on the assessment and the second comprised all other CEOs. The analysis revealed companies led by CEOs in the first group saw gradual improvements in their levels of technological adoption. These companies have invested more in technology and added more tech roles to their workforce. In contrast, CEOs in the second group failed to make such progress.

More competent CEOs experienced a small drop in adoption levels in their first year, followed by consistent improvement. In contrast, CEOs in the second group also saw a slight decrease but made little progress afterward. The difference is statistically significant, with the gap between the two groups widening to over 6 percentage points by the fourth year in office.

Figure 2
Industry adjusted transformation index in 4 years following the CEO succession.



Technological Transformation Linked to Increased Revenue

Our findings show that highly competent CEOs can push their companies to new heights in technological adoption. However, two critical questions arise: Does technological transformation truly materialize into tangible business outcomes? And are these CEOs driving technological transformation while also delivering positive financial results?

It's not enough for a company to simply advance its technological savvy—sustainable transformation depends on turning technological progress into real financial outcomes. Our previous research shows that more competent CEOs saw better revenue growth in their first four years compared to those with lower scores. Our latest analysis uncovered a positive relationship between technological transformation and company performance: Companies that hired more competent CEOs achieved 8.7% annual growth in revenue in the fourth year following their succession, compared to just 3.2% growth in companies that hired less competent CEOs. Hierarchical regression analysis showed that, after accounting for industry trends, technological adoption significantly predicts this difference in revenue growth. In other words, higher technological adoption is linked to stronger revenue growth.

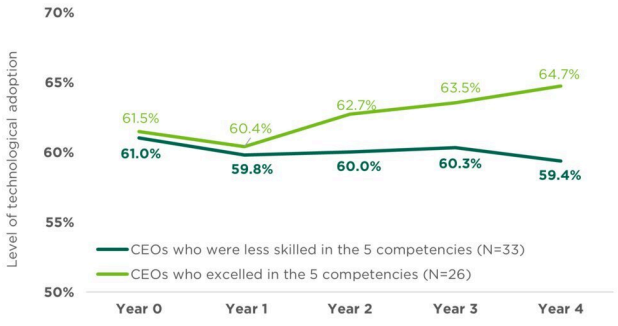
Effective CEOs use their strong leadership skills to combine technology with financial health. Technological adoption improves a company's financial strength, while robust financial results help drive ongoing transformation.

What Transformative CEOs Look Like

To understand how CEOs impact technological transformation and financial performance — and to define the "success profile"—we need to analyze the specific leadership competencies of those championing technological adoption. While the precise process can differ from case to case, successful CEOs who have advanced their companies' technological transformation often share certain characteristics. CEOs who excel in *Strategic Thinking, Builds Networks, Communicates Effectively, Courage*, and *Being Resilient* are more likely to achieve favorable outcomes in technological transformation compared to those who lack these skills.

Strong proficiency in these competencies generally leads to higher levels of technological adoption within a company, particularly after the CEO's first year in office. These qualities align with the Enterprise Leadership framework, which emphasizes a leader's ability to lead with vision and courage while creating impact across the broader enterprise and ecosystem through connection and inclusion. These capabilities allow leaders to integrate competing priorities and balance short-term and long-term business goals, effectively driving transformation while delivering financial outcomes.

Figure 3
Impact of the composite of 5 competencies on technological transformation.



Strategic Thinking

Technological transformation impacts every facet of an organization; it means re-engineering systems and reinventing operations to reach business goals. Technological transformation often affects the entire value stream—from talent and supply chain management to production and customer experience. It requires system thinking and a holistic approach, balancing short-term performance and long-term growth. Our analysis shows that new CEOs strong in Strategic Thinking achieve better transformation outcomes compared to those weaker in this competency.

Builds Networks

Organizations are built on people and relationships—not just physical assets, systems, or processes. Technological transformation is a collaborative effort; while CEOs lead the charge, they cannot succeed alone. Major strategic initiatives require collective leadership. CEOs must identify and engage other key leaders within the enterprise, actively listen to their ideas, align them in a clear direction, and provide the authority and resources needed for them to implement changes in their areas. Further, the impact of technological transformation extends beyond the boundary of an organization, necessitating the support of business partners. In this interconnected landscape, the capability to connect with and influence business partners becomes crucial to organizational transformation. Ultimately, success hinges on the new CEO's ability to build a united front in the change effort.

Communicates Effectively

Technological transformation, like any change initiative, requires adopting new behaviors and following different processes. Most people are reluctant to step out of their comfort zones unless they have a compelling reason to do so. Transformation takes extraordinary energy, and people go the extra mile for causes they believe in. A compelling narrative can ignite and reinforce this commitment. Our analysis revealed that new CEOs who excelled at communication drove technological adoption more effectively. Effective communication not only inspires people but also nurtures a culture of trust and openness, encouraging learning and risk-taking among employees.

Courage

Courage is another characteristic of CEOs who successfully drove technological transformation. In any transformation, resistance to change is inevitable, often starting as passive opposition that grows as the initial organizational enthusiasm starts to wane. New CEOs need to act quickly and have the courage to make tough choices; failing to address pushback could stall the entire transformation effort. Successful transformation often demands bold action: challenging the status quo, adopting new and unproven business models, trimming bureaucracy, eliminating waste, reallocating resources to high-priority projects, taking risks, managing board expectations, and holding leaders accountable for outcomes. These activities require new CEOs to demonstrate determination to drive effective change.

Being Resilient

The pace of technological advancement is rapidly increasing. What is considered a technological breakthrough today may become outdated tomorrow. Therefore, technological transformation isn't a one-time project, but an ongoing journey that demands long-term commitment. Technological transformation, with its inherent vulnerabilities, requires a robust backbone that integrates security and resilience. Unlike a smooth,

linear path, it involves navigating through challenges such as potential data breaches and technical failures. Our findings show that effective CEOs nurture a resilient and adaptable organizational culture that can continuously evolve and respond to unforeseen challenges. Resilience emerges as another key competency associated with increased technological adoption over time.

Hiring the Right CEOs

Technological transformation is critical for sparking innovation and staying competitive. Our research shows just how important a CEO's capabilities are for driving transformation and growing revenue.

While we focused on how CEOs impact *technological* transformation, the insights apply to many change initiatives. In all cases, effective leaders can transform while delivering strong financial performance—the delicate balancing act of enterprise leadership. CEOs with the right mix of competencies can navigate the complexities of transformation, especially in an era of constant disruptions. Their role remains central to steering the organization and capitalizing on new opportunities.

Successful CEOs know how to strategically plan transformations, build unity through networking, inspire the entire organization with compelling messages, and push forward with courage and resilience. Understanding these key leadership qualities can help boards choose the right CEO, increasing the chance of successful technological transformation. By prioritizing leadership quality and strategic fit, organizations can better harness new technologies and achieve sustainable growth.

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Appendix

The study used the ratio of technical roles to total headcount in a company to quantify the extent of technological transformation. The index captures nine broad categories of roles. The table below presents the 9 categories and provides examples of job titles in each category.

Role Category	Examples
Software	▪ Software Architect ▪ Senior Software Engineer ▪ Software Engineering Manager
Cloud Infrastructure	▪ Senior Cloud Solution Engineer ▪ Enterprise Cloud Architect ▪ SVP, Cloud and Field Technology
General Infrastructure	▪ System Engineer ▪ Senior System Administrator ▪ Integration Architect
Data Engineering	▪ Data Center Engineer ▪ Enterprise Data Operations ▪ Senior Database Administrator
Data Science and Analytics	▪ Data Scientist ▪ AI/Machine Learning Engineer ▪ Senior Business Intelligence Analyst
Security	▪ Senior Security Engineer ▪ Information Security Analyst ▪ Chief Security Officer
Network	▪ Network Operation Engineer ▪ Sr. Manager, Global Network Services ▪ Principal Network Engineer
Transformation	▪ Transition and Transformation Management ▪ Managing Director, Technology Strategy ▪ VP, Global Business Transformation and Automation
Support	▪ IT Support Engineer ▪ Cloud Support Engineer ▪ Senior Director, Platform Support

About Korn Ferry

Korn Ferry is a global organizational consulting firm. We work with our clients to design optimal organizational structures, roles, and responsibilities. We help them hire the right people and advise them on how to reward and motivate their workforce while developing professionals as they navigate and advance their careers.