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The True Challenge for CEOs

Adapting to the Unpredictable and
Capitalizing on the Inevitable



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Introduction

The dawn of the 21st century was dizzying, amidst the rise of globalization and the explosion of the internet. After the bubble burst, the pace of change across multiple fronts (technological, regulatory, political and geostrategic, demographic, climatic, scientific, etc.) did not slow down, but rather accelerated, albeit under conditions of increasing instability and complexity. At the end of the 1990s, the world seemed to be moving in one direction; now we can see that, if that's true, many of us still struggle to grasp it.

Companies, like society, adapt to uncertain times with resilience and common sense. The age of hyperinformation doesn't necessarily make us wiser, just much more informed, or misinformed, sometimes with data of limited or ephemeral validity. We live in an overwhelming age of obsession with data management, something that isn't always manageable or practical.

Indeed, although business leaders are usually attentive to anticipate market conditions, the speed with which such far-reaching changes have occurred in recent years make planning a daunting task. We must be very vigilant to identify

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threats and opportunities that may arise in a very short time: we are all familiar with the effects of disruptive factors that have swept away numerous business models, value chains, and entire economic sectors.

Business strategy is a different beast today, perhaps much more fluid. We've become accustomed to medium-term strategic plans being substantially modified by unexpected, exogenous, or even entirely new, factors. Consider, for example, the COVID pandemic, artificial intelligence, or the impact of political change in the United States. If a few years ago the PEST model was common — followed by PESTL and PESTLE — today some companies use acronyms that include more than a dozen factors.

With digitalization, consulting firms, business schools, and business strategy publications have been insisting that companies need to transform in order to compete in the new economy.

However, potentially disruptive changes have been occurring and, except on very rare occasions, organizations choose to adapt, to evolve from their know-how maintaining their philosophy, rather than opting for a more decisive or radical transformation. In other words, avoiding experiments. I think they were—and you are— right.

In recent years, we have seen a profusion of publications on methodologies for organizational transformation and change; some certainly inspiring, but few, if any, that have served as a reference, as was the case at the end of the last century (Kotter, Porter, Drucker, Kahneman, Kramer, Thaler, etc.).

Consequently, while consultants and schools continue to think, analyze, and propose, it is companies that continue to manage their challenges.

The purpose of this brief investigation is precisely to approach the companies to see how they faced threats at the time and how they face the present and the future. We have chosen representatives from diverse sectors (consulting, healthcare, banking, food and beverage,

engineering, automotive, tourism, etc.), with varying circumstances in terms of size, market penetration, international position, both family and private capital...

During the interviews, the conversation was always frank and intense, and followed a flexible structure based on three questions:

- **What do you think about the idea of organizational transformation and its associated aspects (cultural change, alignment, leadership, communication, etc.) as a recurring concept these days?**
- **What are the challenges facing your organization that you would like/can share?**
- **Could you describe a positive or negative experience from your past?**

In 90% of the cases in this first wave the interview was in person, generally at the company's own facilities or nearby. The interview was never

recorded, nor were notes taken, and on each occasion, a summary of what was discussed was sent for review, but under no obligation.

Neither the participants, nor the companies, nor the content of the interview will be made public.

Thank you all for participating. The positive reception and response encourage us to continue. In the face of the sudden and ongoing changes—whose unpredictability surprises governments and institutions—the company responds with determination, reaffirming its mission of continuity and progress. It's true, however, that this occurs within a whirlwind of information and noise that leaves its leaders alone, with very few points of reference.

For this reason, we continue to invite you to participate in this debate and share it with other business leaders, observing a sort of Chatham House rule. At a distance, for the time being.

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Reflections on the Reality of CEOs

There's nothing more frustrating for a CEO than feeling surrounded by "best practices" that don't align with their reality. General recipes, theoretical models, and Harvard case studies may be illustrative, but they rarely fit the complexity of their company, their industry, and their team.

The CEOs we interviewed all agree on one thing: no one was prepared for such a fast-paced environment. However, there's one thing that distinguishes those who are emerging stronger: they've accepted that change isn't an event, but a permanent state.

The following reflections emerge from conversations with business leaders who, far from passively adapting, are rewriting the rules of the game. And, above all, they have allowed us to better understand how they view the world and its challenges.



1. Adaptation is the key: reaction and anticipation

Rapid reaction is no longer enough; anticipation is the new battleground. Unpredictable changes require agile responses, and inevitable changes must be addressed with a preparedness strategy.

Those leaders who have understood this difference have managed to capitalize on opportunities before others even notice them. Opportunities don't wait for us to be ready; we have to anticipate them..

“We know that technological disruption is going to affect business; the question is whether we want to lead it or suffer it.”

(Industrial sector CEO)

2. Three CEO profiles facing change

CEOs position themselves for change in three different ways:

- **Proactive CEOs:** They do not wait; they act before the market forces them to. They drive strategic transformations even when the context does not immediately demand them.
- **Analytical CEOs:** They reflect and plan with data before taking action. They know that every change has a cost and make sure they understand all the factors before acting.
- **Transformative CEOs:** When change is unavoidable, they reinvent their organization. They are not afraid to break with traditional models if it means ensuring business sustainability.

The key is not to pigeonhole yourself into a profile, but to understand the appropriate approach for each moment of transformation.

“The risk of doing nothing was greater than the risk of breaking with everything. We decided to reinvent ourselves before we were forced to.”

(Retail sector CEO)

3. Identification of critical needs: culture and strategy

Leaders must not only manage change, but also diagnose their real gaps. In most cases, critical needs are not just related to technology or processes, but to deeper aspects:

- **Corporate culture:** Without an organizational culture aligned with change, any transformation will be meaningless.
- **CEO Discourse:** The narrative a leader conveys is key to generating commitment and direction.
- **Change management:** It is not just about implementing new strategies, but about supporting the organization in the process.
- **Executive team formation:** Leadership is not static; it requires constant updating.
- **Motivation and leadership:** An unmotivated team is a brake on any process transformation.
- **Internal communication:** It is not enough to inform, you have to make the teams feel part of the change.
- **Perception management:** Beyond specific actions, the way they are perceived influences business reputation and positioning.

Leaders who understand that transformation begins internally are able to implement more sustainable and effective changes.

“We had to bring in outside experts because the talent we needed simply didn't exist in-house.”

(Financial sector CEO)

4. Adaptation of human capital: the real internal challenge

Strategy can change quickly, but people are slow to adapt. The biggest obstacle for many CEOs isn't competition or regulation, but rather the internal resistance of their teams.

Companies that best navigate change have managed to transform uncertainty into confidence by:

- **Transparency:** explaining not only what the change is, but also why it is happening.
- **Engagement:** involving teams from the beginning, not just when the plan is already defined.
- **A clear message:** creating a coherent story that makes sense to all levels of the organization.

“It’s not the change that blocks people, but how it is communicated to them and how they are included in the process.”

(Multinational CEO)

5. Knowing when to defend yourself and when to attack

Not all changes require an offensive response. Sometimes the best strategy is to retreat and conserve resources. Other times, you have to take the lead.

Knowing how to distinguish between threats and opportunities is what separates CEOs who simply survive from those who lead.

“We decided to exit some markets because we couldn’t meet our own standards. It was a difficult decision, but a necessary one.”

(Construction sector CEO)

CONCLUSION: WHAT CEOS HAVE TAUGHT US

If these interviews have taught us anything, it's that there's no manual for navigating uncertainty. Every leader has found their own way of dealing with change, but they all agree on three key lessons:

- **It's not about predicting, it's about being prepared.** Change is coming faster than we expect. Agility isn't an option; it's a necessity.
- **Adaptation is not just technological, it is human.** A brilliant strategy fails if the team is not aligned.
- **Leadership in uncertain times is not about having answers, but about asking the right questions.**

The CEO's challenge is not just to run a business, but to build an organization capable of adapting and thriving in the face of unpredictability.

And this, as many of those interviewed have told us, is not done alone.

“They don’t pay us for knowing everything, but for making the best decisions with the information available.”

(Hotel sector CEO)

The Perception of Leaders

The conversation with the leaders allowed us to gather a series of confidential reflections on the main challenges they face in the day-to-day management of their respective companies. Below, we compile a selection of their perceptions, divided into broad sections: change management, a common challenge with a variety of approaches; digitalization and sustainability as cross-cutting factors of progress that shape every decision; corporate culture and its derivatives; and a final reflection on the evolution of the leadership model and the role of today's leaders.



Change Management

IN BRIEF

- 1 Constant transformation as a new environment for action
- 2 The tension of managing the duality between the urgent and the strategic
- 3 The challenges of engagement and the incorporation of new talent

Companies operate in an environment of continuous transformation, driven by economic, technological, and regulatory factors that demand an increasingly rapid capacity to adapt. These disruptive elements force organizations to adjust their strategies and policies with unprecedented agility. Change management, a traditionally standardized process, has become a constant dynamic that impacts virtually every sector and demands new professional profiles.

One of the most recurring dilemmas for most leaders is **“the difficulty of balancing urgent day-to-day demands with long-term strategic objectives,”** notes the CEO of an industrial company. The need to make quick decisions in the face of market fluctuations often comes at the expense of projects that require a broader, more sustained vision.

This tension is especially evident in sectors where investment in R&D or infrastructure is critical to

future competitiveness. However, the pressure to achieve short-term results often leads to prioritizing the immediate over the structural. According to the CEO of an engineering services company, **“strategic plans are repeatedly affected by sudden changes of all kinds, making agility and speed of adaptation critical factors.”**

In their strategies to face this challenge, many companies have opted for more agile management models and more flexible organizational structures that facilitate and accelerate adaptation; in other cases, they have invested in training and upskilling and reskilling development programs to strengthen the capacity of their teams to respond to changes. **“Reorienting the business to achieve greater efficiency and added value requires process analysis and redesign, as well as the incorporation of professionals with greater adaptability,”** notes the CEO, who initially warned of the difficulty of balancing the urgent and the strategic. This is a common perception among all the leaders surveyed, who agree that managing existing talent and bringing in new professionals are decisive factors.

They also share the idea that, rather than radical transformations, organizations must always be prepared to anticipate changes in a context of uncertainty. **“The cohesion of the management team, the culture of improvement and the ability to face challenges with realism and transparency have been key in adapting to the current environment,”** states the CEO of a hotel group.

For his part, the leader of a retail company recalls that the pandemic and the global geopolitical

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conflicts experienced since then have slowed his expansion plans in some markets: **“However, we have accepted all these exceptional and exogenous circumstances naturally, without raising any doubts about our strategic vision. In general, there is a greater fear of paralysis than of making an error, but urgency should not overshadow the importance of thoughtful, long-term strategic planning.”**

In this sense, along with the widespread recognition of this ongoing willingness to change, many leaders point out that there is a tendency to exaggerate the need for urgent transformation or reinvention. Representatives of family businesses use this final reflection to assert the validity of their own distinctive values, which decisively contribute to charting the desired course.

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Digitalization

IN BRIEF

- 1 The drive for cultural change, the current challenge of corporate digitalization
- 2 Focus on generative AI to streamline processes and manage teams
- 3 Technological acceleration revalues the DNA of innovation

Along with sustainability, digitalization is one of the two ongoing processes that decisively shape a company's future. All leaders, without exception, acknowledge its importance in their organizations' recent growth, in processes initiated years ago and, in most cases, already consolidated. There is no doubt about the central role of technology in business development, but there is more uncertainty about its actual usefulness in implementing new methodologies or work processes. Following the pandemic, the emergence of Generative AI has accelerated digitalization to complex management speeds.

A priori and logically, the CEOs of companies in sectors with more advanced technology are more determined to expand the use of new tools for team management.

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All other sectors are more cautious about taking on the risk of technological investments that apparently don't offer an immediate return.

The commitment to digitalization as a management tool involves redefining processes, changing mindsets, and training employees in more agile methodologies. Contrary to theory, several leaders recognize their teams' resistance to change. The CEO of a service company recalls the significant investment made to address **“the transition from the computer age to the digital age through As-a-Service solutions: flexible, scalable, upgradeable, productive...”** The plan met with reluctance and lack of preparation from its professionals, which forced a rethink of the strategy: **“Rather than adapting technology to people and their traditional processes, we had to adapt our processes (people) to the possibilities offered by technology.”** The shift in mindset occurred before the pandemic, and thanks to the work carried out, the company was able to fully meet the demands of remote work during the lockdown months.

Today, the complexity that remote working once posed—a challenge barely mentioned by leaders—seems a mere anecdote compared to the challenge of implementing generative AI and related technologies, such as machine learning. A sample of the general feeling is highlighted by the reflection of one of the CEOs of the energy sector: **“The challenge is to apply technology to evolve to a skill-based organization model. The massive use of AI should make it possible to**

identify the skills of the entire workforce, match them to the company's needs, identify gaps, facilitate mobility, and attract and retain the most suitable talent for each function, among other applications.”

Along these same lines, various leaders agree in mentioning benefits such as the decentralization of teams, greater transparency in personnel management, and, above all, the advantages associated with more agile decision-making aligned with corporate strategy. Among the applications more frequently mentioned are also the optimization of the supply chain and, to a lesser extent, the sustainability of the process.

Another reflection shared by several leaders, regardless of the sector, is that the current acceleration of the digitalization process is allowing us to recover the innovation DNA that had been compromised. In this process, the work and involvement of a new generation of digital native professionals is essential. In this way, teams are becoming aware of the differential value of the ability to adapt to change, based on technological development that — most also agree — is moving faster than expected, or than we can currently assume.

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Sustainability

IN BRIEF

- 1 The inevitable impact of sustainability on all business areas
- 2 Tension between regulatory demands, strategy and results
- 3 Link to corporate reputation: “Being and appearing sustainable”

The importance of sustainability in business is primarily linked to the complex and extensive current regulations, which have a direct impact on companies’ profitability and competitiveness. The new ESG concept has forced a shift in leadership thinking regarding a concept that, with varying degrees of conviction depending on the sector and corporate values, was previously framed as voluntary.

Almost all of the leaders consulted acknowledge that, mainly due to new legal requirements, **“sustainability is shaping business strategy beyond what is merely expected or desired.”**

Its impact extends to budget planning, entry into new markets or sectors, customer and consumer relations, supply chain control, and, across all of this, corporate culture and reputation.

Despite the widespread recognition, there are many nuances. The CEO of one of the construction

companies surveyed highlights that **“the decarbonization objectives are technologically impossible.”** Despite this, they feel **“constantly scrutinized throughout the scope of action and the supply chain.”** This has led to the abandonment of certain markets or the shelving of expansion plans to emerging countries where a minimum level of compliance with the new standards cannot be achieved.

Other leaders note that the regulations also present contradictions and disparities in their requirements, which add to the confusion and distrust when it comes to investing in certain projects. However, after expressing these doubts, they acknowledge that **“it is not a negotiable aspect and, as a leader of the organization, you have to find solutions to overcome contradictions and try to link these initiatives with efficiency and productivity.”** In some cases, a generational gap is perceived, with greater awareness—or less questioning—among new-generation managers; in other cases, the strong personal commitment of the president or owner is the source of the decisive cross-cutting commitment to sustainable development.

In this context, companies are adopting a wide variety of strategies: some focus on innovation, integrating sustainability into their business models through disruptive solutions, while others opt for minimal compliance, ensuring adherence to regulations without high-risk investments in structural changes. One of the CEOs of this second group clarifies that, **“at this time, instead of adopting radical policies, we carefully analyze the progress of technology and knowledge to identify and take advantage of opportunities.”**

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Regulatory contradictions and uncertainty about the return on required financing are common obstacles in sectors with high transition costs, such as construction, industry, and energy. Without underestimating the necessary investment, service company leaders highlight specific actions that will achieve the legal minimums while demonstrating their commitment and engaging stakeholders.

In this sense, various leaders recognize that it is not enough to integrate sustainability into the strategy or the development of far-reaching measures: **“In addition to being sustainable, you also have to appear so.”** Given the impact of

“sustainability” on the perception and reputation of companies, the development of many initiatives is closely linked to corporate narrative. **“The close connection between the Communications team and the Sustainability Department, which is not found in other areas of the company, exemplifies the current concept of sustainability,”** one of them points out. Among the most common actions are internal sustainability ambassador programs or ESG narratives aligned with company values; externally, the development of sustainability reports and memos in addition to legal documents stands out.

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Corporate Culture

IN BRIEF

- 1 Transition to a more agile and fluid culture, but always faithful to the essence
- 2 The bottom-up approach drives cultural transformation from the team
- 3 Clarity, simplicity and consistency, keys to an effective narrative

How can we effectively and consistently address today's challenges? Corporate culture is unanimously considered a key tool for aligning the entire organization, even in globally operating companies with professionals from countries with distinct cultures. This requires a solid, coherent cultural model that is perceived as useful and appropriate to the company's reality.

Corporate culture today encompasses both a company's goals and essence (its vision, mission, and purpose) and how it achieves them (corporate principles and standards). These concepts require effective translation into everyday life.

It is necessary to redefine and strengthen the organizational culture beyond words, promoting real changes in attitudes and behaviors, both

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individual and collective,” acknowledges the CEO of an industrial company.

Over time, many organizations have prioritized building a strong, medium- and long-term culture, focused on proactive anticipation and gradually relegating traditional change methodologies.

Thus, companies tend to prioritize a fluid culture, capable of adapting to changes quickly without losing their essence. This flexibility allows them to react quickly to external challenges, such as economic crises or regulatory changes, without compromising their identity or core values. On this point, many executives agree that **“companies must preserve their own style, trusting that, true to their DNA, they will continue to compete and generate long-term value,”** as expressed by the CEO of a multinational food company.

Multinational companies and those that have recently undergone mergers face particularly significant challenges in cultural integration. Harmonizing the different corporate cultures of their home countries and aligning the priorities of local teams and headquarters are crucial, as expectations often differ, generating friction that can affect operational efficiency. Therefore, in the words of the CEO of a growing hotel group, **“we aim to strike a balance that captures synergies and streamlines processes, without any disruptions that could hinder growth.”**

Maintaining a corporate culture based on trust and personal relationships with leaders is also helpful for delegating and making decisions more

quickly. However, as the CEO of a family business with more than 90 years of history points out, **“this approach can become a barrier to growth, due to the lack of standardization of the model.”**

Increasingly, organizations are accepting that change doesn't always have to be originated or driven solely by senior management. Operational teams are increasingly driving transformation, especially in areas such as sustainability or digitalization, which facilitates more effective implementation. This bottom-up approach, which is gaining ground compared to more vertical hierarchical models, demonstrates that culture can transform more fluidly when employees are motivated and aligned with organizational goals.

“In light of current regulatory demands on integrity and compliance, leaders particularly highlight the need for ‘a simple, realistic and inclusive corporate narrative.’”

Corporate narrative

As the cornerstone of corporate culture, leaders unanimously believe that the narrative is a fundamental element for aligning the company's talent and, thus, achieving business objectives. When asked about the characteristics of contemporary discourse, they agree that it must be clear, credible, and coherent, based on simplicity and integrity, but with sufficient flexibility to combine continuity and innovation. **“Simplicity is the cornerstone for building an intelligible discourse that aligns and motivates internal and external collaborators, in addition to establishing alliances and attracting talent,”** notes the CEO of a hotel group.

In light of current regulatory demands on integrity and compliance, leaders particularly highlight the need for **“a simple, realistic and inclusive corporate narrative that can be understood and shared by all stakeholders,”** as the CEO of a company in the construction sector points out.

The narrative constitutes the starting point for the articulation and dissemination of more specific corporate standards, a task usually assigned to the Human Resources Department, with increasingly active participation of the Compliance, Sustainability and Communication areas, which **“work together to convey this narrative transparently and naturally to all levels of the organization.”** As with transformation processes, it is not enough to formulate the narrative: it must be consistently maintained and supported.

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