

**PROACTIVELY
EMBRACING CHANGE**

Global CEOs feel ready for the unexpected in a volatile world



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FOREWORD

Change is the only constant in today's volatile world — impacting every business and the CEOs who lead them. Previously safe assumptions around strategy and operations have been replaced by a need to cope with an unprecedented rate of geopolitical and technological change. Business as usual is no longer an option. Although this brings challenges, it also delivers opportunities — and I am heartened to see the enthusiasm with which the CEOs of the world's largest companies interviewed for this study are proactively embracing disruption and change.

2025 marks the third year of Arthur D. Little's (ADL's) global "CEO Insights" study — and we spoke to a larger number of business leaders than ever, giving an unparalleled view into their thoughts, expectations, and actions. Given that we solely talk to CEOs of businesses with revenues above US \$1 billion, our study delivers insights into the companies that most impact and affect the global economy, society, and the world around us.

Our findings show that CEOs are proactively leading from the front — something we at ADL see in conversations with our clients across the globe. With technological change like AI and geopolitics both firmly on the short- and long-term agenda, CEOs are adapting their approaches and strategies to ensure they continue to seize opportunities, delivering a positive message across the globe.

However, when a new paradigm for the global economic order is in the air, challenging questions are a useful way to guide development and change. Building on this thought, I asked our consultants who work with major companies around the world to provide such questions and give recommendations where they believe the results of the study deserve further reflection. This occurs in the spirit of a key element of ADL's DNA: Driving Innovation and Transformation, with the aim of further strengthening companies for an uncertain future.

Ignacio García Alves

Chairman & Chief Executive Officer
Arthur D. Little

EXECUTIVE SUMMARY

UNDERSTANDING GLOBAL CEOs & THEIR STRATEGIES

Focused on growth, innovation, and embracing disruption. That's the key message from today's global CEOs, who feel more ready than ever to meet, and benefit from, current economic and geopolitical challenges.

ADL's 2025 CEO Insights study paints a clear picture of the mindset and actions of the CEOs of the world's largest companies. The third report in an annual series, the study focuses on CEOs running businesses with a turnover above \$1 billion, located across the globe.

The key finding is that CEOs feel well-positioned to tackle current short-term challenges. Three-quarters expect global economic conditions to improve over the next three to five years, up from just 22% two years ago. They feel ready to exploit coming growth opportunities, whatever direction they may come from.

This positive outlook extends to current geopolitical change — CEOs understand the need to navigate an uncertain world, with the majority updating their strategies and operations following the US election, and more than two-thirds expecting increased state intervention to have a positive impact on their growth, although this varies considerably by sector. Essentially, they are focusing on agility and the need for transformation to reap the opportunities provided by a fast-changing world.

CEOs are also diversifying how they aim to grow, embracing a wider range of internal and external levers, from cost optimization to launching disruptive offerings. Whatever their position in the market, CEOs are continuing to invest at the same or higher levels to stay competitive. Technology innovation remains the most important trend impacting CEOs and their businesses, with disruptive competition now outstripping concerns about supply chains and raw material prices. Investments in improving performance are consistent at 1%-2% across geographies and industries, with expected productivity gains of ~8% per year over the next three years.

AI is recognized as a core focus area. However, although the number of CEOs with a company-wide strategy has more than doubled from last year (to 29%), the majority are still early in their AI journey. Pilot projects have been deployed, often in hundreds of areas, but these still aim to improve and enhance existing operations, rather than create disruptive business models. In our view, this leaves incumbents open to attack from start-up competitors. Success will come from an entrepreneurial strategy rather than thinly-spread pilot projects — this should be a focus for CEOs moving forward, relying on their drive and vision to transform.

Driven by compliance and competitive advantage, nearly all (94%) of CEOs have embedded environmental, social, and governance (ESG) into their strategies, with 88% giving it the same priority as other business needs. This means ESG initiatives must meet the same ROI and business criteria as any other project, reflecting the more critical view of the topic by governments and consumers. However, this opportunistic approach may not work over the longer term, as the world and requirements around ESG and its benefits may change rapidly and dramatically.

Finally, despite their current belief that they are ready for change, there are signs that CEOs need to sharpen their focus if they are to thrive in a volatile world. In more than half of companies, levels of preparedness for change have dropped from superior and strong to “good enough,” as has the recognized need for reskilling. Although structures are adequate for current needs, change is constant, as current events show, meaning that CEOs must carefully reflect on their organizational readiness to adapt to meet future challenges.

In addition to the views of CEOs, based on our work globally, we recommend seven best practices in Chapter 9 to help CEOs move forward at a time of change:

1. Navigate geopolitical challenges effectively.
2. Derisk your business — and seize emerging opportunities.
3. Balance M&A with organic growth.
4. Focus on AI for business model transformation and productivity.
5. Look beyond immediate ESG concerns.
6. Reassess organizational preparedness.
7. Take a transformative approach to improving productivity.

1. CEOs LOOKING FORWARD CONFIDENTLY

CEOs OF LARGEST COMPANIES POSITIVE ABOUT MEDIUM-TERM BUSINESS CLIMATE

At a time of unprecedented change, CEOs feel confident about future business prospects. 97% expect the global economic outlook to improve or remain stable over the next three to five years (see Figure 1). Three-quarters (75%) believe it will improve. This positive attitude is even higher among companies with a \$10 billion+ turnover, with 82% expecting improvements, against 73% of those in the \$1-\$10 billion range.

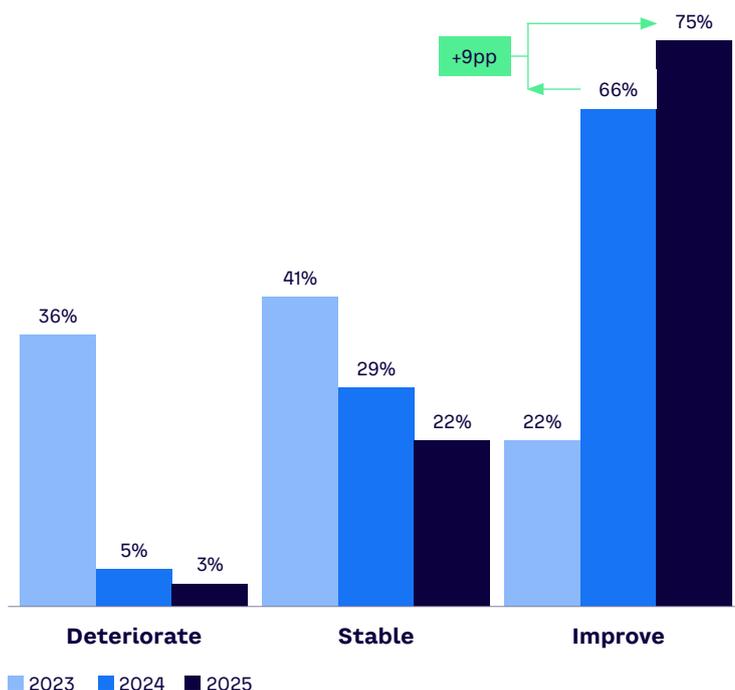
Regionally, North America (+15 percentage points) and Europe (+11 percentage points) have seen the largest jumps in positive sentiment compared to 2024.

This likely reflects a focus on the opportunities the future brings, either due to the policies of the new US administration or the greater investment it may spur in Europe as countries pivot away from reliance on trade with other regions, such as Asia and the US. Across industries, travel and transport is the most pessimistic — however, only 4% expect the outlook to deteriorate, with 30% believing it will remain stable. The energy and healthcare industries are the most positive, with 80% seeing the climate improving.

*“We will **diversify** our product portfolio, invest in R&D, expand into emerging markets, and maintain partnerships to help us **reduce risk and ensure growth.**”*

CEO, France, healthcare & life sciences

Figure 1. Belief in positive change in global economy



Source: Arthur D. Little

CEOs feel ready and well positioned for change. Every respondent said their organizational structure is ready to tackle new business priorities and address market volatility, although more than half describe it as “good enough.” Every CEO is investing the same or more to drive growth. None are choosing a defensive strategy, with 39% investing to drive growth above the market rate over the next three years, while 61% are cautious but still aim to achieve the market growth rate (see Figure 2).

*“We have **improved our corporate governance system**, allowing us to respond faster to market changes. This includes giving local markets more authority to make quick decisions, which helps us adjust to rapid change.”*

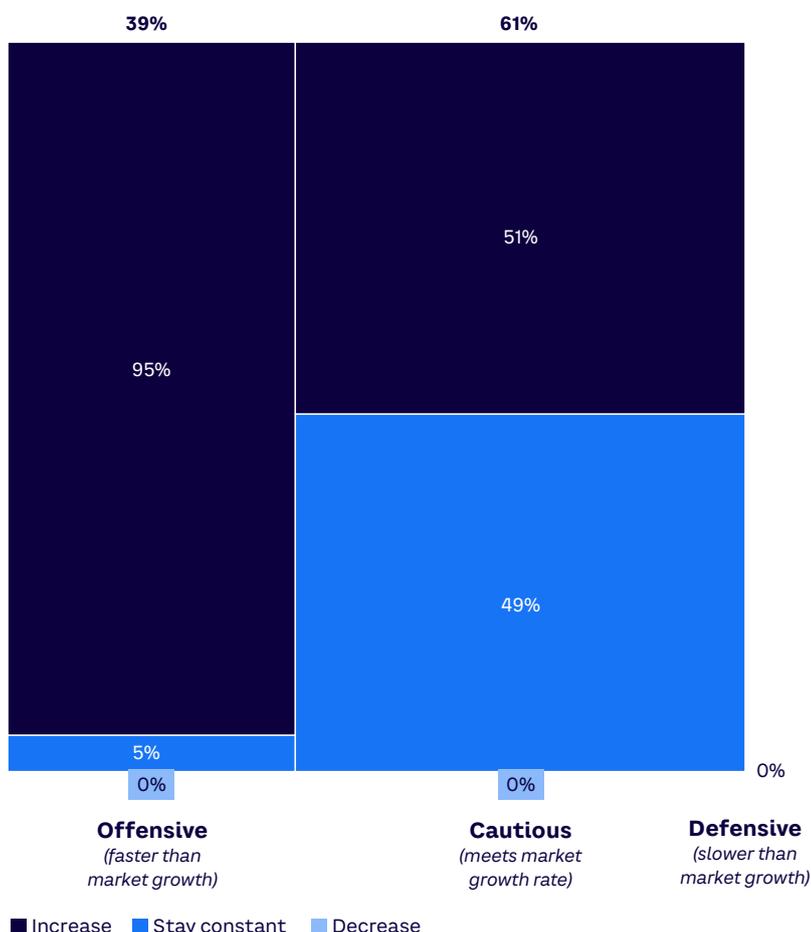
CEO, Japan, automotive

When asked about challenges outside geopolitics, nearly two-thirds (65%) of CEOs expect industry convergence to accelerate over the next three to five years, up from 49% in 2024. Just 1% see convergence slowing. This is especially true in energy (where 76% of CEOs forecasted accelerating convergence) and healthcare (71%).

*“We’re investing in **solutions that provide greater resilience and flexibility**, including integrating blockchain so we can enhance data integrity, tracking, and real time reporting.”*

CEO, US, travel & transportation

Figure 2. Growth ambitions vs. planned change in growth investment relative to last three years



Note: There is no column for decrease because the results are 0% for all three categories
Source: Arthur D. Little

ADAPTING FOR THE FUTURE

Growing CEO confidence is an acceleration of trends seen in previous years. In 2023, 22% said they foresaw the economy improving, rising to 66% in 2024. This means that the number forecasting a better economic climate over the medium-term grew by 53% in just two years.

When asked to describe their performance, in 2024, 35% of CEOs stated they were top quartile, 56% middle of the pack, and 9% lagging. Demonstrating strong self-belief, in 2025, no CEOs describe their companies as laggards, with 37% defining themselves as top quartile and 63% as middle of the pack. Backing this up, in 2024, 14% of companies invested to drive defensive (slower than market) growth, and 8% were decreasing their growth investments. As mentioned earlier, none of the companies surveyed currently see themselves as driving defensive growth or decreasing growth investment.

The biggest obstacles to growth are also changing, from market volatility (28%) and blurry business boundaries (21%) in 2024 to data interpretation (30%) and talent hiring/retention/reskilling (25%) in 2025, showing that companies are successfully incorporating adaptation to change into business strategy and operations.

*“By doing thorough **scenario planning**, we can foresee various possible future situations such as economic downturns, health crises, and changes in global politics, allowing us to get ready ahead of time.”*

CEO, Switzerland, manufacturing

AGILITY TO DRIVE SUCCESS IN A FAST-CHANGING WORLD

CEOs understand that markets are unstable, but they are prepared and confident, for the future at even greater levels than before. They are ready for geopolitical turmoil and are future-proofing their businesses by incorporating volatility into their business planning. This embrace of market disruption can be seen in the year-on-year drop in scores for volatility as a challenge — it moved from being seen as an obstacle to being viewed as an opportunity.

Although CEOs are still setting 10-year North Star objectives, how they reach them has changed. Rather than creating prescriptive long-term strategies, they are focusing on agile, shorter-term planning that is more flexible and enables them to capitalize on change.

In terms of growth, no one wants to invest less than the wider market, highlighting the level of competition and how it is raising the bar on investments for all CEOs, regardless of region or industry. CEOs are diversifying how they grow, as shown in Chapter 3, incorporating a wider range of levers to achieve their goals. Overall, the picture shows that CEOs are confident that they have the tools they need to succeed in a fast-changing world.

CHAPTER TAKEAWAYS: THE NEED FOR NEW PLANNING MODELS IN VOLATILE MARKETS

The shift away from long-term planning does not mean abandoning planning as a discipline. Instead, CEOs should adopt scenario-based planning, outlining a range of potential futures based on known factors — even if the impact of each of these levers cannot yet be forecast. This approach will provide several no-regret moves that should be carried out regardless of what the future brings, as well as outlining bigger bets that can be made to meet changing conditions and seize valuable opportunities. With scenario-based planning, it is vital to continually monitor the wider market, setting trigger points for action as scenarios become clearer. This will deliver necessary agility without overfocusing on developments that may not come to pass.

Allied to scenario-based planning, CEOs and management teams should explore worst-case futures, using war-gaming exercises or other techniques that define:

- Which nightmare competitor/nightmare geopolitical scenarios are plausible under which circumstances
- How to react if these scenarios materialize
- How to detect weak and strong signals for such scenarios

These discussions will form the basis for a strategy that protects against many potential shocks and lets market and operational plans and actions be revised accordingly.

2. GEOPOLITICS SEEN AS CENTRAL TO CEO ROLE

CEOS FOCUS ON ACTION, ADAPTABILITY & GOVERNMENT COLLABORATION

The new US administration is driving enormous ongoing change, often through unexpected short-term actions that impact the strategy and operations of all large companies. Consequently, the majority of CEOs (59%) expect they'll have to make changes moving forward. This figure includes 2% of CEOs who anticipated the need to adjust pre-election and began to implement their plans early. Among those who anticipate change, nearly three-quarters (72%) of \$1 billion-\$10 billion companies expect significant changes, compared to 69% of those with \$10 billion+ revenues. Large numbers of companies are focusing on adapting R&D/technology (55%) and their supply chains (48%).

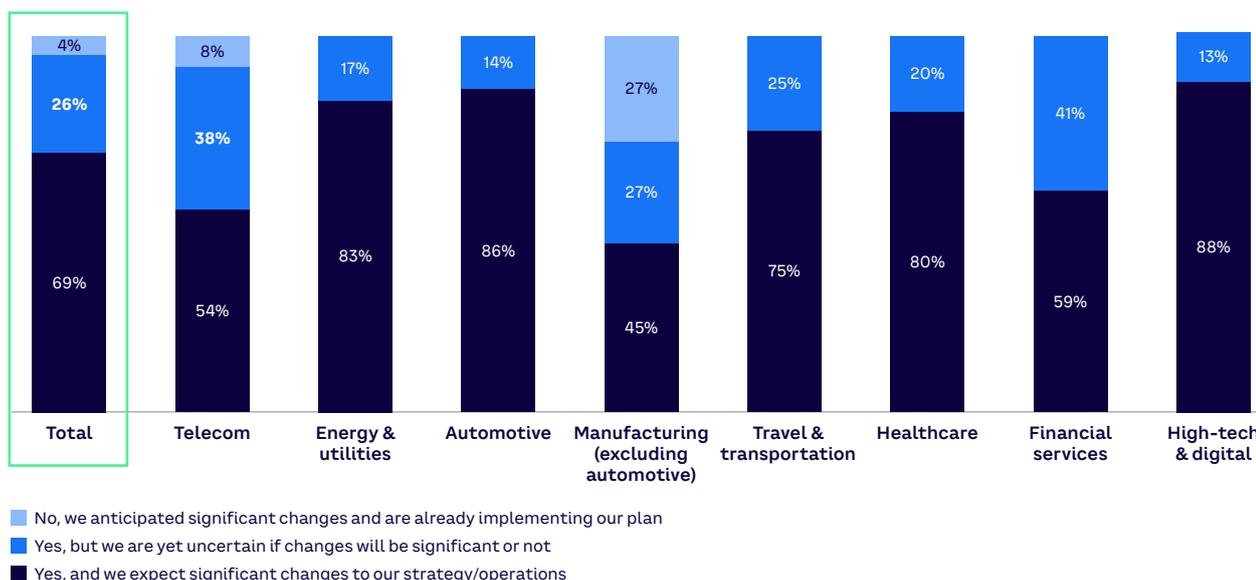
The most affected regions are South America, where 82% expect changes, and, unsurprisingly, the US itself, where three-quarters (76%) are looking to adjust how they operate.

Of those that see the need to change, 69% expect significant change, 26% are uncertain whether changes will be significant, and 4% have begun the change process (see Figure 3). The highest impact is on high-tech (88%), automotive (86%), and energy and utilities (83%).

"We regularly perform stress tests to evaluate how well we can handle tough situations, making sure we can cope with major market changes, economic slumps, or global conflicts."

CEO, Ireland, financial services

Figure 3. Likelihood of revisiting strategy following US election



n=161
Source: Arthur D. Little

*“Fluctuations in commodity prices due to geopolitical issues or climate events can reshape international trade dynamics. We are therefore **increasing our cross-border investments** in search of growth opportunities within emerging markets.”*

CEO, US, telecom

At a time of uncertainty, stock markets and companies react differently to threats and/or the implementation of tariffs and duties. CEOs must therefore both navigate practical decisions and deliver shareholder value, while taking short-term and long-term investments into consideration.

CEOs were also asked about the most important trends of the recent past and the future (see Figure 4). They pinpointed sustainability (64% future, 49% past), rapid tech advances (52% future, 49% past), AI (42% future, 29% past), and digital transformation (42% future, 60% past) as the most important. The rise in AI and sustainability has come at the expense of digital transformation and globalization as factors.

*“We are using an **agile business model** to swiftly respond to market shifts. By monitoring regulations, customer needs, and competitor actions, we can adapt our strategy based on immediate feedback.”*

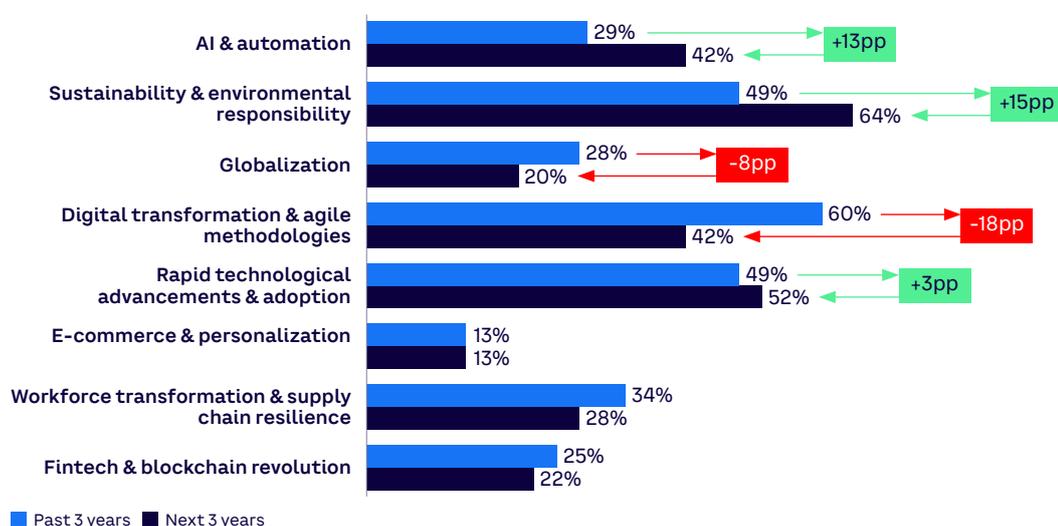
CEO, China, healthcare & life sciences

Governments are playing an increasingly active role in the business environment, intervening through a combination of subsidies for specific industries/technologies and changing regulations affecting areas such as the green transition, delivering local jobs, and building leadership positions in emerging areas like AI, quantum computing, and sustainability. As illustrated in Figure 5, nearly seven out of 10 CEOs see such state intervention as a useful short- or long-term support for growth, although 26% view it as a destabilizing factor. It is important to note that attitudes vary considerably between sectors — 88% of automotive CEOs see it as a positive, while about half of those in high-tech (53%) see it as neutral or negative.

*“Our company takes advantage of government incentives and support initiatives focused on technological innovation and green energy. This approach **helps us mitigate volatility by securing extra funding or tax breaks, particularly in markets where there’s significant government investment in technology.**”*

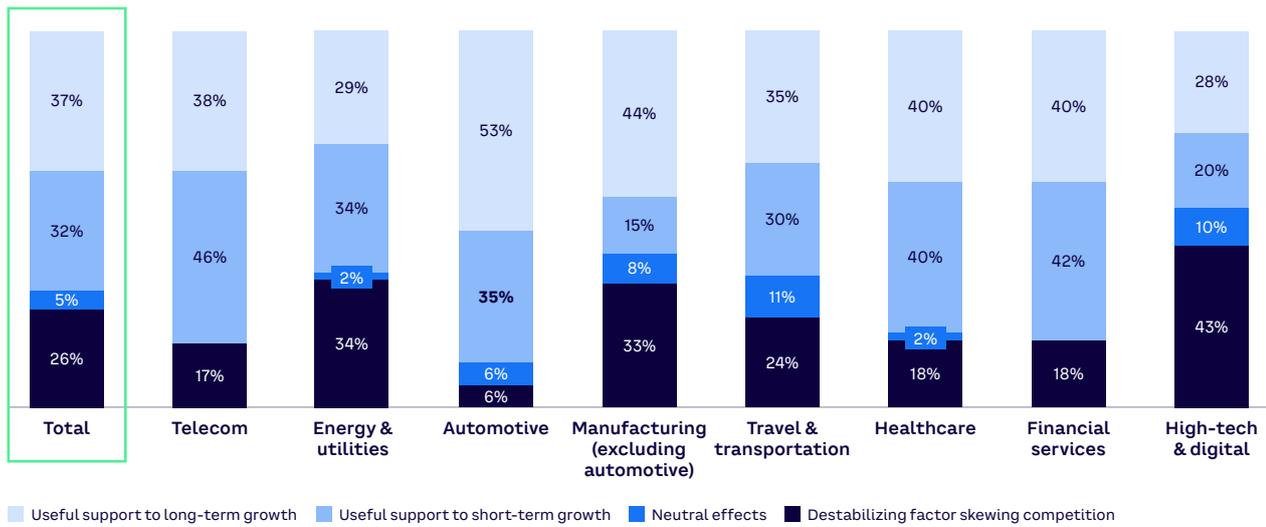
CEO, Austria, high-tech & digital

Figure 4. Most important trends, past vs. future



Open question — answers clustered by AI; some responses fit more than 1 category; not all respondents named 3 trends
Source: Arthur D. Little

Figure 5. Attitudes about renewed state intervention



Source: Arthur D. Little

INCREASING POLARIZATION AROUND STATE INTERVENTION

In the 2024 study, CEOs were not asked to speculate about the outcome and implications of the US election, but they were asked about both state intervention and trends impacting their markets.

When it comes to state intervention, the 2025 picture is much more polarized compared to 2024. Although similar numbers see it as positive (65% 2024; 69% 2025), the number that viewed it as destabilizing nearly tripled, rising from 9% in 2024 to 26% in 2025. This shift was driven by a significant drop in those considering state intervention as neutral, dropping from 27% in 2024 to 5% in 2025.

Looking at trends, 2024 had a much more balanced range of drivers, with 29% of CEOs seeing AI and sustainability as an important future trend and 27% believing that globalization/geopolitical challenges were a key trend for the next three years. As detailed above, CEOs are focused on a smaller number of trends in 2025, with more than 40% choosing sustainability (64%), AI, rapid tech advances, or digital transformation as key future drivers.

PUTTING GEOPOLITICS AT THE CENTER OF STRATEGY

Today’s CEOs see geopolitics as a market mover and a factor they need to incorporate into their strategies. This likely began during the COVID-19 pandemic, when CEOs had to act quickly to mitigate the impact of its disruption and effect on geopolitics. The fact that CEOs around the globe are attuned to the need for action around major events, such as the new US presidential administration, demonstrates the importance of geopolitics in a volatile world. It reinforces the need for agility and scenario planning to war-game possible futures.

CEOs are focused on both the impact of government actions at a policy level and state intervention in markets, whether through subsidies in specific areas or greater regulation, such as around sustainability in Europe. The change in how CEOs view state intervention is likely related to the shift from theory to practice. Since last year, a large number of subsidy programs rolled out more fully and the scope and detail of regulations increased, driving home real business impacts and accelerating operational change. Attitudes to state intervention vary considerably by industry and their present requirements. For example, the highly regulated automotive sector welcomes greater state intervention as it transitions to greener electric vehicles, while high-tech, which has traditionally seen lighter regulation, is much less positive about increased government focus on the industry.

CHAPTER TAKEAWAYS: EFFECTIVELY MANAGING IN A CHANGING GEOPOLITICAL WORLD

CEOs understand that the drivers and structure of the global economy have fundamentally changed. Thus, continuing to do business as usual is not an option. They are confident that they can seize opportunities in an era of fast-moving, unpredictable geopolitics that involves more active policies from major governments, especially the US.

To best position themselves to adapt to fast-paced geopolitical change, CEOs should focus on five key areas:

1. **Make bold moves.** With business as usual not an option, CEOs shouldn't be afraid to innovate around strategy and operations, moving beyond incremental change to make big bets on new markets, technologies, or business models. AI should be a major area of focus, with CEOs looking beyond incremental improvements to how it can transform both strategy and operations.
2. **Focus on the positives of increased state intervention.** Governments are intervening more in their economies, whether to support existing businesses or to encourage development in areas such as AI and sustainability. Either directly or through industry bodies, CEOs should be clear on how state intervention can help drive growth and should work with government to establish programs that benefit their companies and the wider economy.
3. **Rebalance supply chains.** The disruption to global commerce due to COVID-19 led many CEOs to begin rebalancing their supply chains.

Geopolitical tensions have accelerated this trend, and CEOs should take a portfolio approach to sourcing and manufacturing to protect themselves against further shocks and disruptions. For example, European countries should look at opportunities for near-shoring operations in Africa while building up national capabilities.

4. **Be ready for growth.** CEOs should closely examine their current skills, capabilities, and organizational structures and improve them to ensure agility and flexibility. They should assess skills in areas such as AI and plan to fill gaps through reskilling, partnerships, or acquisitions. CEOs must also evaluate current processes and examine whether they deliver the right balance of centralized and local decision-making to target opportunities as they arise, while managing risk.
5. **Don't neglect the business benefits of sustainability.** Sustainability programs should be seen as a source of business advantage, rather than a compliance cost. Look at areas where ESG can reduce costs, open up revenue streams, or build new business models and partner with a wider ecosystem to deliver benefits.

CEOs have demonstrated they are ready to embrace the opportunities that geopolitical turmoil and increased state intervention bring — now they need to transform their businesses to actively target these changes through proactive, agile strategies and operations across the globe.

3. DRIVING GROWTH THROUGH CONTINUED INVESTMENT

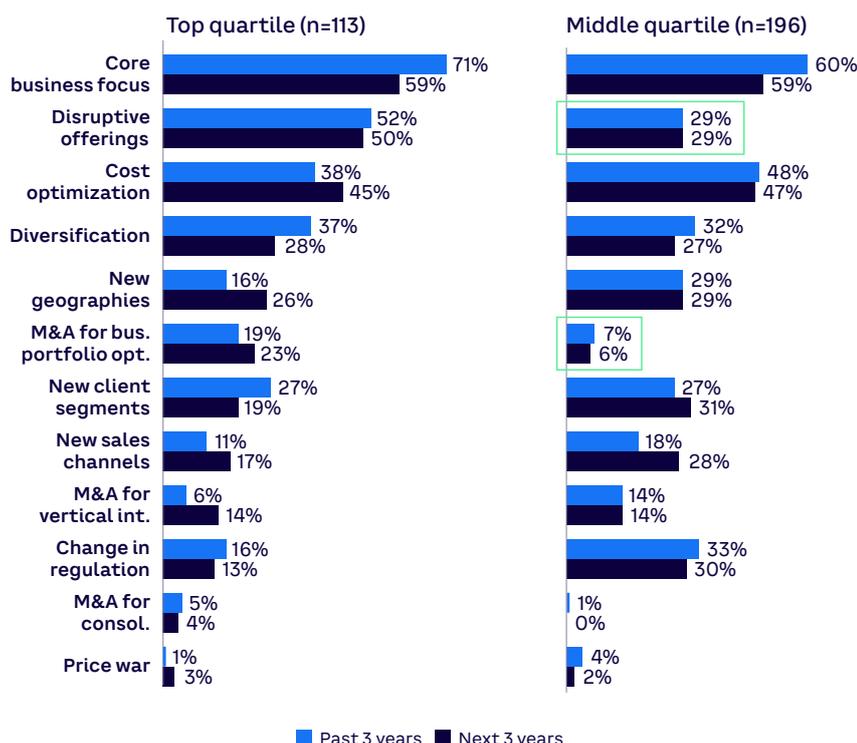
CEOS EMBRACE GROWTH VIA A DIVERSIFYING RANGE OF LEVERS

Growth is at the heart of CEO strategies. All plan to grow their companies at or faster than the market rate, with investments that will either increase (68%) or remain constant (32%). Demonstrating the importance of continuing investment, of those spending more, slightly more than half (54%) expect to grow faster than the market, meaning that 46% feel they need to increase investment just to keep up with their competitors.

Technology and innovation remain vital to growth: 41% of all CEOs, rising to 47% of \$10 billion+ businesses, identify it as a critical driver, ahead of disruptive competition (28%) and supply chain (22%).

When asked how they plan to deliver growth — and how that is changing — the results show significant differences between top- and middle-quartile companies (see Figure 6). Although self-defined top-quartile companies remain focused on their core business, this is at a lower rate than before (59% future vs 71% past).

Figure 6. Comparative growth strategies, top vs. middle



Note: Performance category based on own perception vs. peers; multiple choice (3 choices/respondent)
Source: Arthur D. Little

*"We will continue to **expand our presence in emerging markets**, focusing on Asia, Africa, and South America, where the demand for infrastructure, energy solutions, and automotive parts is growing rapidly."*

CEO, Belgium, manufacturing

*"Shifts in **global power** and trade rules will affect economic ties, pushing companies to change their strategies."*

CEO, United Arab Emirates, financial services

*"We are expanding our product pipeline, targeting a 25% operating margin **through cost-reduction strategies, and entering new markets**, all while addressing regulatory challenges effectively."*

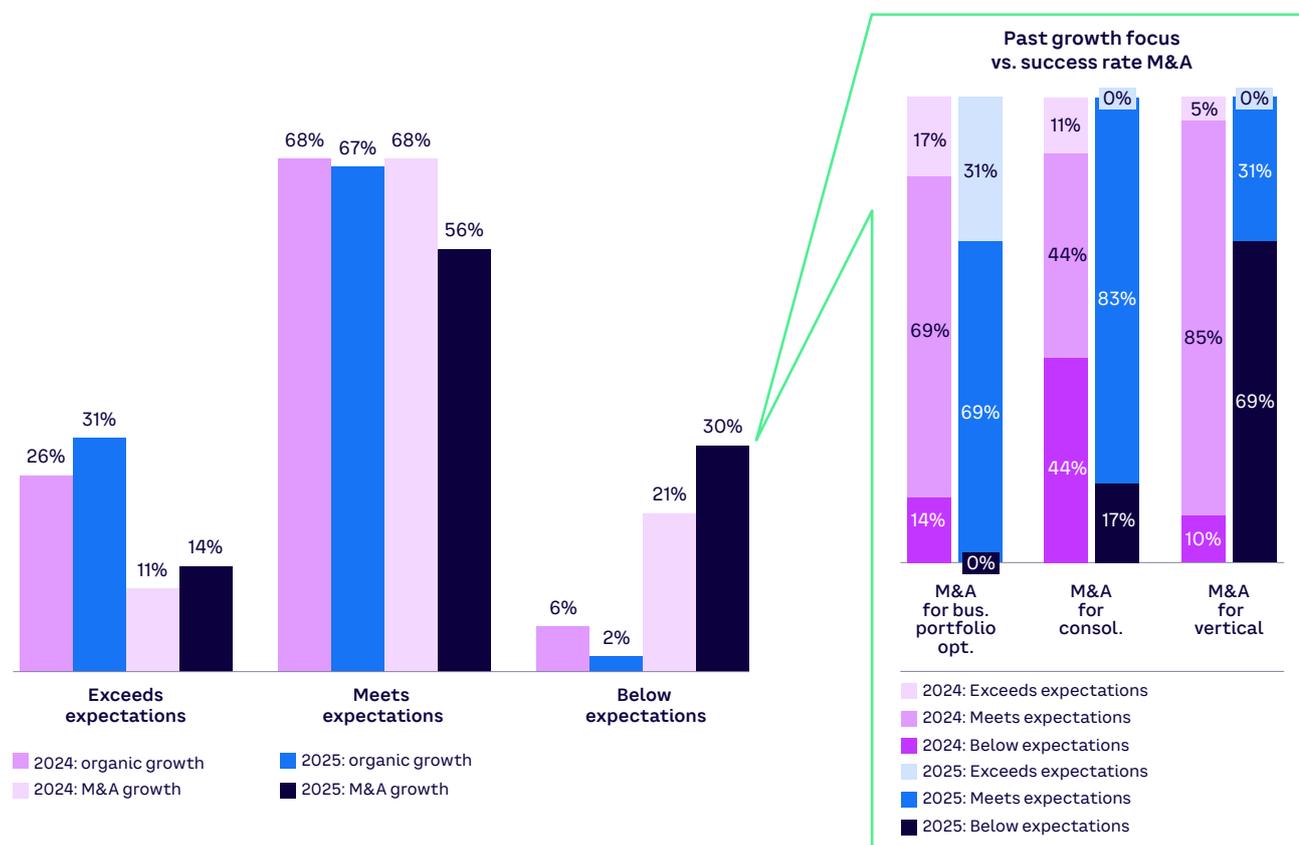
CEO, India, healthcare & life sciences

Core business remains the number one focus, but companies are adopting a more balanced approach that uses internal levers (e.g., cost optimization) and external ones (e.g., disruptive offerings, diversification, and entering new geographies).

Those in the middle of the pack are more cautious. Although they share a focus on the core business (59%) and cost optimization (47%), considerably fewer are launching disruptive offerings (29%) or engaging in M&A for business portfolio optimization. Diversification efforts are also less popular than over the past three years for this group.

When looking at the best-performing growth strategies, CEOs continue to be more satisfied with organic growth investments compared to M&A, with 98% saying these strategies meet or exceed expectations, compared to 70% for M&A (see Figure 7).

Figure 7. Satisfaction with organic growth and M&A activities



Source: Arthur D. Little

AN INCREASING IMPERATIVE TO INVEST IN GROWTH

In 2024, 6% of companies decreased their growth investments, and 14% planned defensive growth, below that of the wider market. In 2025, all CEOs are either increasing investment levels or keeping them constant; none are planning defensive growth strategies, reinforcing the message of optimism.

This year, CEOs of top-quartile companies are focusing on a wider range of growth levers compared to 2024. For example, 26% listed launching disruptive offerings as a future growth strategy in 2024; this nearly doubled (50%) in 2025.

Turning to M&A, overall satisfaction levels were similar between 2024 and 2025. However, the type of M&A that delivered significant value has changed. In 2024, 17% of M&A for business portfolio optimization, 11% for consolidation, and 5% for vertical integration exceeded expectations. In 2025, the only category that delivered above expectations was business portfolio optimization, which nearly doubled to 31%.

"We are focusing on strategic acquisitions, enhancing software offerings for specific markets, and improving operational efficiencies to maintain revenue growth and profitability amid economic uncertainties."

CEO, Canada, high-tech & digital

A WORLD OF TWO-SPEED GROWTH STRATEGIES?

Every CEO is putting growth at the heart of their strategy, with no one investing less than the rest of the market. However, there's a significant difference between top-quartile companies and those who self-describe as middle of the pack. Top performers are adopting a much wider range of levers for growth, shifting from a focus on their core business to a more diversified approach. By contrast, those in the middle are still concentrating on the core, cost optimization, and coping with regulatory changes. This is preventing them from diversifying and disrupting and could cause them to fall further behind their peers, highlighting the importance of agility and strategic foresight to remaining competitive.

When it comes to M&A, the top quartile is still significantly investing in portfolio optimization M&A, leveraging the cash generated by divesting from non-core assets to acquire businesses. These complement core competencies, helping them respond to market dynamics while accelerating access to new technologies.

Comparing satisfaction levels between M&A and organic growth, we see that the latter is much more likely to deliver on or above expectations. Companies should adopt a portfolio approach to M&A, adding incrementally to their capabilities rather than making big bets around vertical integration, which are much less likely to deliver benefits. Making multiple, smaller acquisitions is a more manageable, repeatable process that results in fewer concerns around product overlaps, cultural differences, or organizational duplication (which require significant management time to resolve).

CHAPTER TAKEAWAYS: GROWTH STRATEGIES TO OUTPERFORM THE MARKET

CEOs have aligned their most important growth strategies with the most important trends they foresee over the next three years. The imperative is clear: companies must optimize their internal growth engines while using M&A selectively to complement, rather than substitute for, internal growth. To outperform the market despite global volatility, CEOs must focus their organic and inorganic growth strategies on seven areas:

- 1. Build scenarios for multiple futures/bets.** By developing scenario-based strategies for multiple possible futures, CEOs enable resilient planning and flexible decision-making, future-proofing their strategies against unpredictable market shifts while aligning internal resources efficiently across various strategic options.
- 2. Diversify approaches to organic growth.** Rather than putting all their eggs in one basket, CEOs should look to widen the tools used for organic growth, balancing longer-term approaches (e.g., leveraging R&D) with short-term wins (e.g., through startups and corporate venture capital). The decision to use one instrument over another will depend on multiple factors, including product maturity, distance from core, entry barriers, deal flow, and start-up activities.
- 3. Institutionalize innovation for continuous differentiation.** Innovation must become part of a company's DNA (i.e., how employees think and act). CEOs must foster a culture that encourages and rewards trials and speed to market (fail, but fail fast). New product and service development can be accelerated through incubators, leveraging digitalization/AI to enhance efficiency and differentiation. R&D should be used as a tool for transformative innovations rather than incremental improvements.
- 4. Put customers first.** Now more than ever, strategies must move from product-centricity to customer-centricity. Adjacencies should be explored by leveraging data analytics to anticipate and address evolving consumer needs. Long-term customer engagement and relationships can be further enhanced through investment in brand equity and hyper-personalization.
- 5. Scale through ecosystem collaboration.** Open collaboration has never been more important. Organizations must develop the right partnerships with startups, universities, and industry players to bring in innovation, co-create solutions, and accelerate speed to market.
- 6. Balance organic and inorganic growth for agility.** Ultimately, organizational success will depend on how well CEOs orchestrate the waltz between organic and inorganic growth. They should use M&A selectively to fill critical capability gaps, especially for vertical integration, while prioritizing internal capability building for long-term resilience. Companies need a clear acquire-versus-build strategy to ensure that acquisitions complement rather than disrupt organic impetus.
- 7. Take new approaches to M&A screening.** In a volatile world experiencing rapid technology advances, CEOs need to more quickly identify, screen, and make M&A decisions, without compromising on quality. To identify new offerings and investment opportunities, CEOs should use tools like horizon scanning, smart surveys, think tanks, and trend insights. Once potential targets have been identified, technology can accelerate target screening, giving businesses deeper and more comprehensive insights into their suitability.

Building a resilient organization is the ultimate goal, and successful growth is created by those who leverage both internal strengths and external opportunities for sustained competitive advantage.

4. A CONSISTENT FOCUS ON PERFORMANCE

CEOS SEE STRONG NEED FOR PERFORMANCE IMPROVEMENT TO INCREASE PRODUCTIVITY

Across sectors, geographies, and company sizes, CEOs aim to invest between 1% and 2% of their revenues in performance initiatives to achieve ~8% annual productivity improvements per year over the next three years (see Figure 8). Although the overall average spend is 1.79% to deliver an 8.36% productivity gain, the relative uniformity of results is compelling. Ranging from a spend of 2.05% (South America) and 2.04% (telecom) down to 1.67% (North America, Europe [other]), and 1.6% for high-tech, results are clustered in a narrow band.

*“Tight cost control and ongoing efforts to improve operational efficiency through **lean management and optimized resource allocation** will help our company’s profitability even when market conditions are challenging.”*

CEO, Germany, travel & transportation

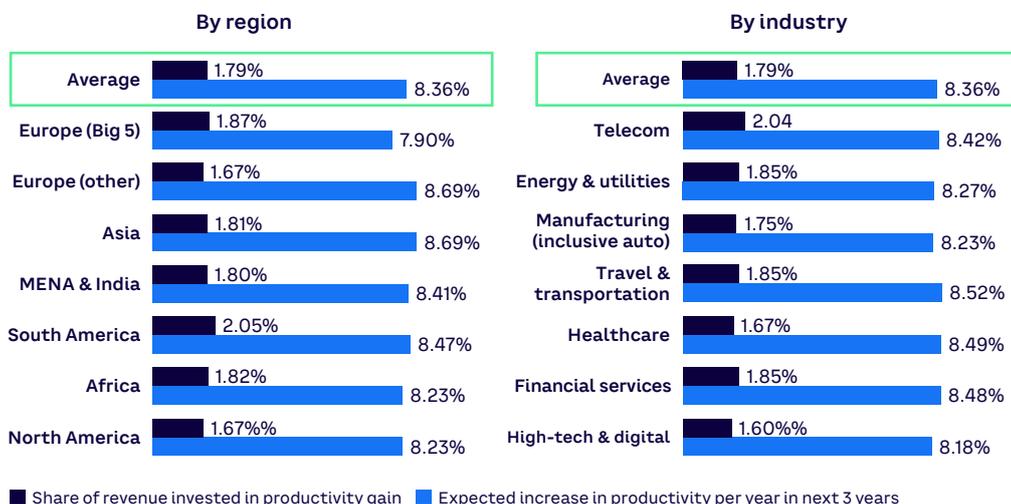
*“We will continue our investments in new technologies for product development and manufacturing to remain competitive, while **establishing robust crisis management plans.**”*

CEO, US, manufacturing

*“We will leverage digital transformation by implementing smart grid technologies and **data analytics** to enhance operational efficiency.”*

CEO, UK, energy & utilities

Figure 8. Share of revenue invested in productivity gain; expected increase in productivity per year (next 3 years)



Source: Arthur D. Little

Smaller businesses spend slightly more, with the average for \$1 billion-\$10 billion revenue companies being 1.8%, against 1.7% for those with \$10+ billion revenues. However, they expect a bigger payback: 8.38% versus 8.22%. Large high-tech companies have the lowest investment levels (1.29%) to get the smallest productivity gain of 7.43%.

There is a correlation between investment levels and expected return, with those spending more looking for greater gains. For example, companies that invest 1% of revenues expect 7.8% returns, rising to 10.3% for those spending 4%. However, the expected difference in returns is small — those that invest 1% only expect slightly lower returns than those that invest three times more.

CEOs who are most positive about future global economic growth are both spending more and expecting greater returns. The 3% of CEOs who predict an economic downturn are investing nearly 0.5% less than their most positive peers, but they expect the same level of return as those who believe the economy will remain stable. Those positive CEOs investing 3% or more of revenues have the highest expectations, with performance gains of more than 9% (see Figure 9).

“We will keep investing in automation, smart factories, AI-driven processes, predictive analytics, and the Internet of Things to enhance efficiency, lower costs, and meet demand with greater flexibility.”

CEO, Spain, automotive

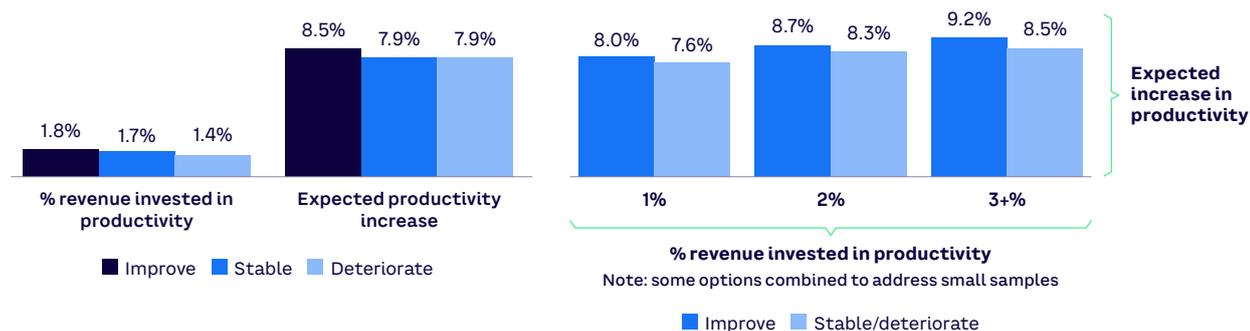
CONSISTENT GLOBAL PICTURE AROUND PERFORMANCE IMPROVEMENT

Across industries and geographies, CEOs recognize the need to invest in performance improvement initiatives to drive productivity and manage costs in this uncertain environment. Improving performance is recognized as a key driver for growth, which is in line with the shared focus among companies on key levers like cost optimization, as highlighted in Chapter 3.

Productivity is a top priority for CEOs across regions and industries. Apart from minor variations due to country and sector specificities, we see a homogenous landscape of planned investments and expected returns, with an investment of approximately 2% of revenues expected to deliver a return of roughly 8% in productivity gains per year over the next three years. One area of difference is company size. Although they do invest more, smaller companies (\$1 billion-\$10 billion turnover) also have higher expectations for the productivity gains they expect to benefit from.

However, achieving these ambitious productivity gains is not without challenges: 8% as a target is not uncommon — but reality shows that many companies fail to achieve these levels. ADL’s proprietary RACE database shows that real median productivity gains for companies above \$1 billion revenue are ~4% CAGR between 2019 and 2023. This covers both capital and personal productivity gains.

Figure 9. Productivity investments, split by expectations of global growth (next 3 years)



Source: Arthur D. Little

Structural inefficiencies often hinder cost-saving initiatives, with many organizations struggling to achieve their targets, which we also heard from participating CEOs. Cultural resistance, misalignment of cost and performance objectives, and a lack of an integrated model for total company performance are among the primary barriers to sustainable performance enhancement. This is particularly true in organizations with \$1 billion–\$10 billion in revenue, which can suffer from a lack of internal resources (e.g., talent to lead projects) and less developed governance structures (which prevent successful simultaneous productivity improvement projects).

In addition, digital transformation is playing an increasingly critical role. AI and automation are widely recognized as key enablers of operational efficiency and effectiveness (see Chapter 5), yet many CEOs remain in the early stages of fully integrating these technologies into their core processes.

External macroeconomic pressures (e.g., inflation, rising labor costs, and geopolitical uncertainties) further complicate efforts to improve productivity. Understanding and responding to the impacts caused by the actions of the new US administration and its push to reshape global trade will take up significant capacity and potentially limit companies' ability to deliver on expected productivity gains.

IMPROVING PERFORMANCE IS RECOGNIZED AS A KEY DRIVER FOR GROWTH

Given these dynamics, performance improvement must be approached as a structured, long-term strategy rather than a series of isolated initiatives. The most successful organizations adopt an integrated approach that combines disciplined cost management, cultural alignment, and digital enablement to drive sustained performance gains.

More traditional/asset-heavy companies, such as travel and transportation, healthcare, and financial services exhibit a greater focus and investment on improving performance. CEOs in the high-tech industry, particularly those in \$10+ billion companies, have both lower spend and lower expectations around performance improvement, linked to a greater focus on developing existing and new products to meet customer needs, rather than looking to optimize existing processes. Furthermore, the ease of access to off-the-shelf AI tools for code development, quality control, and testing has boosted the ability of high-tech companies, especially those in software, to realize significant productivity improvements at relatively low cost.

CHAPTER TAKEAWAYS: UNLOCKING SUSTAINABLE PERFORMANCE GAINS

The key to realizing productivity gains lies in integrating performance improvement into the organization's broader strategic framework, ensuring alignment across cost management, digital transformation, and workforce empowerment. This requires a six- step process:

- 1. Align performance goals with cost management**
 - Establish clear performance-improvement targets linked directly to financial and strategic objectives.
 - Integrate cost management into initiatives to ensure cost savings translate into ongoing operational efficiencies rather than one-time reductions.
 - Foster a cost-conscious culture by embedding performance accountability at all levels of the organization.
- 2. Invest in digital and AI-driven performance optimization**
 - Prioritize investment in AI, automation, and advanced analytics to drive efficiencies in supply chain management, production, and customer service.
 - Move beyond pilot projects to enterprise-wide implementation of AI-driven performance initiatives.
 - Leverage predictive analytics to identify inefficiencies and proactively optimize resource allocation.
- 3. Embed a culture of continuous improvement**
 - Implement agile operational frameworks that enable rapid adaptation to changing business conditions.
 - Develop cross-functional teams to drive performance-improvement initiatives and encourage innovation.
 - Regularly assess and refine processes to ensure efficiency gains are sustained over time.
- 4. Enhance workforce productivity through reskilling and empowerment**
 - Invest in workforce upskilling to align employee capabilities with new technologies and operational processes.
 - Empower employees with data-driven decision-making tools that enhance productivity.
 - Foster a mindset of adaptability and innovation to ensure that performance improvements are embedded within the organizational culture.
- 5. Adopt scenario-based planning for performance resilience**
 - Develop scenario-based strategies that account for potential economic disruptions and market shifts.
 - Implement dynamic resource-allocation models that allow for flexibility in responding to performance challenges.
 - Monitor key performance indicators (KPIs) in real time to proactively adjust strategies based on evolving business conditions.
- 6. Measure and communicate performance outcomes effectively**
 - Establish transparent reporting mechanisms that provide real-time visibility into performance improvements.
 - Regularly communicate progress on performance initiatives to stakeholders, reinforcing commitments to continuous improvement.
 - Use benchmarking and comparative analysis to measure success against industry peers and best-in-class performers.

5. AI STRATEGY GAINS TRACTION

CURRENT & FUTURE AI FOCUS IS PRIMARILY ON OPERATIONAL EFFICIENCY & CUSTOMER EXPERIENCE

AI has the potential to transform how businesses operate, at both a tactical and strategic level. Demonstrating its rise, a growing number of companies (29%) report having a compelling company-wide AI strategy in place (see Figure 10), rather than focusing on the technology at a departmental or business-unit level. However, this means that 71% are still approaching AI in a piecemeal way and are therefore not gaining its full benefits. Company-wide strategies are strongest in Europe outside the Big 5 economies (50%), in North America (39%), and in the high-tech (48%) and financial services (38%) sectors. Companies that are focusing on several pilot projects need to go further and will need a strong strategic foundation to do so.

"We are adopting AI and data analytics to personalize customer experience, enhance operations, and boost network performance."

CEO, UK, telecom

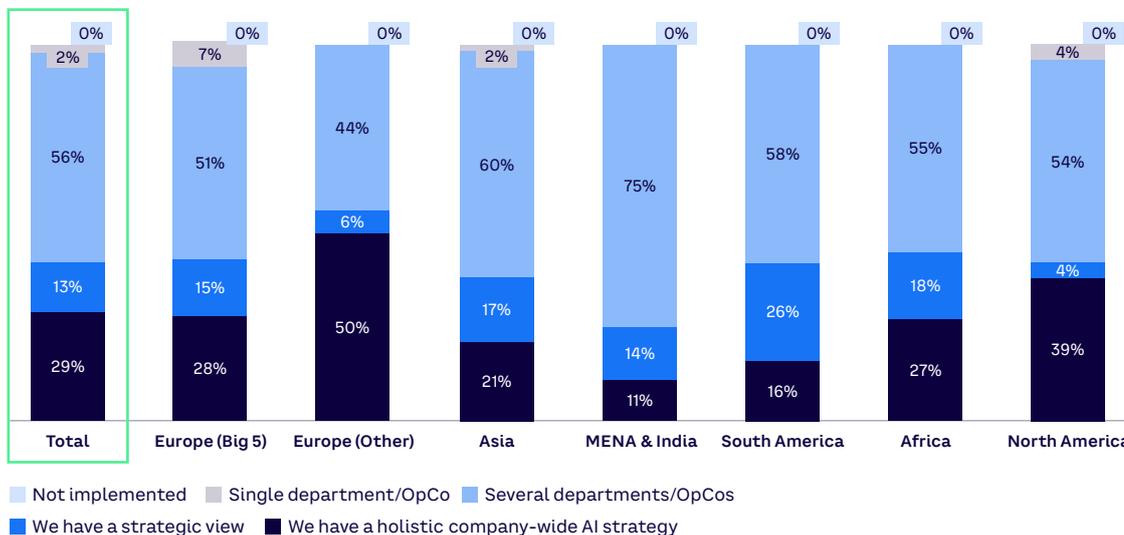
"We will implement AI to automate decision-making, enhance the customer journey, and boost operational efficiency, as well as to enhance predictive analytics for market trends and customer behavior."

CEO, South Africa, financial services

"AI will significantly reshape our sector. For example, the integration of big data analytics will transform transportation services."

CEO, US, travel & transportation

Figure 10. Adoption of holistic AI strategies by region



Source: Arthur D. Little

Although there are a wide range of use cases for AI, we can group them into four waves (see Figure 11).

In Wave 0, employees independently use publicly available AI tools (e.g., ChatGPT, DeepSeek, or Perplexity) for job-related tasks. In doing so, they may increase efficiency or effectiveness of their role but at the high price of potential data leakage and a lack of corporate control.

Wave 1 is the first wave in which companies either set up their own AI installations or provide secure AI solutions through a partner that can ensure performance as well as data integrity and safety. Use cases can be found both in core (e.g., R&D, customer service, production) and non-core functions (e.g., automation of tax returns or employee expense handling).

*"AI helps **automate** claims processing and **enhance operational efficiency**."*

CEO, United Arab Emirates, financial services

*"We use AI-driven sentiment analysis to scan customer reviews and feedback to **quickly identify issues with products or services**."*

CEO, France, manufacturing

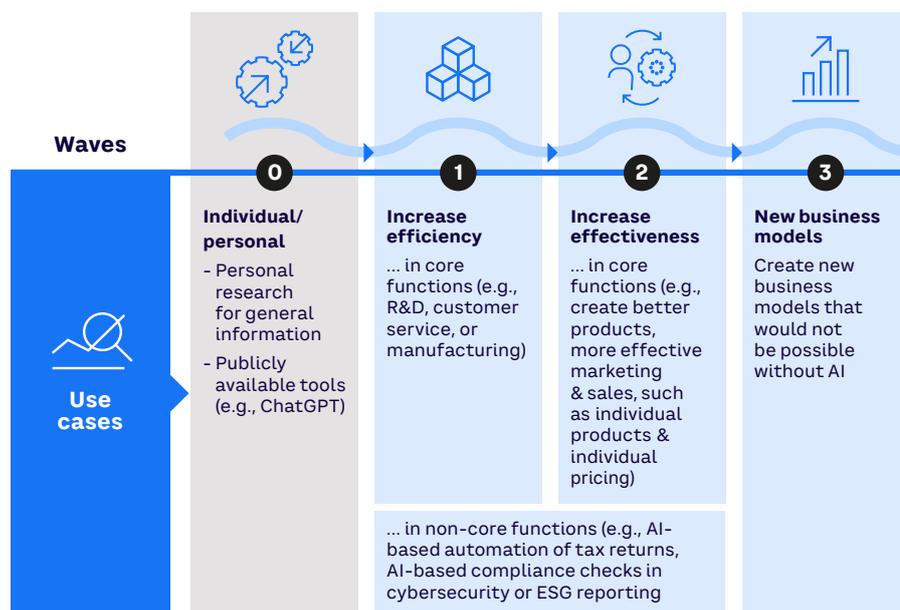
*"Using AI to **optimize routes for delivery vehicles**, reducing fuel costs and delivery times by analyzing traffic, weather, and real-time conditions."*

CEO, Germany, travel & transportation

*"Using AI algorithms to identify suspicious activities in real time, **preventing fraud** in messaging and transactions."*

CEO, Sweden, high-tech & digital

Figure 11. The four waves of AI adoption



Source: Arthur D. Little

Wave 2 goes beyond “more of the same” and uses a company’s own AI installations (or secure dedicated partner applications) to increase the effectiveness of core functions. Use cases for this wave are found in core functions (e.g., higher quality products based on AI-powered R&D, better/more tailored pricing) and in non-core functions (e.g., getting more subsidies based on improved funding proposals, enhanced cybersecurity using AI-based threat detection and response).

*“AI is employed in predictive maintenance for **better effectiveness.**”*

CEO, US, telecom

*“We use AI analytics to **boost sales performance.** By examining data from different sources, sales teams can identify targets and create better promotional content.”*

CEO, Switzerland, healthcare & life sciences

*“We leverage AI to examine market trends and customer insights, **helping to shape product design** so that new releases resonate with current trends and consumer preferences.”*

CEO, Germany, manufacturing

*“AI-enhanced simulations to deliver unique training experiences **designed specifically for each employee.**”*

CEO, Brazil, telecom

*“Leveraging AI models to offer up-to-date information on changing customs laws and tariffs, **automating processes** to simplify customs clearance.”*

CEO, India, travel & transportation

Wave 3 deploys AI for genuine breakthrough innovation, using it to power new business models that would not be possible or realistic without AI. These deliver the ability to create completely new revenue streams and unlock first-mover competitive advantage that disrupts industries, such as hyper-personalization within healthcare or financial services.

*“Examining the integration of AI in wearables, with the goal of launching new products that provide users with **immediate health and fitness analytics.**”*

CEO, Japan, manufacturing

*“We are harnessing AI to establish an online marketplace that delivers health products **tailored to the unique needs of patients,** featuring health tracking tools and dietary supplements.”*

CEO, France, healthcare & life sciences

*“We are **creating new business models** around personalized wealth management.”*

CEO, US, financial services

PROGRESS, BUT TOO MUCH FOCUS ON PILOT PROJECTS

Where and how is AI being used? Analysis of CEO responses reinforces the sheer number of use cases, covering more than 250 areas (see Figure 12).

However, answers show little difference between current usage and future AI plans (see Figure 13). The only areas of significant growth were R&D and product development (+6%) and customer experience and engagement (+5%). Rather than extending AI into new, more disruptive areas, CEOs are doubling down on existing pilot projects and use cases.

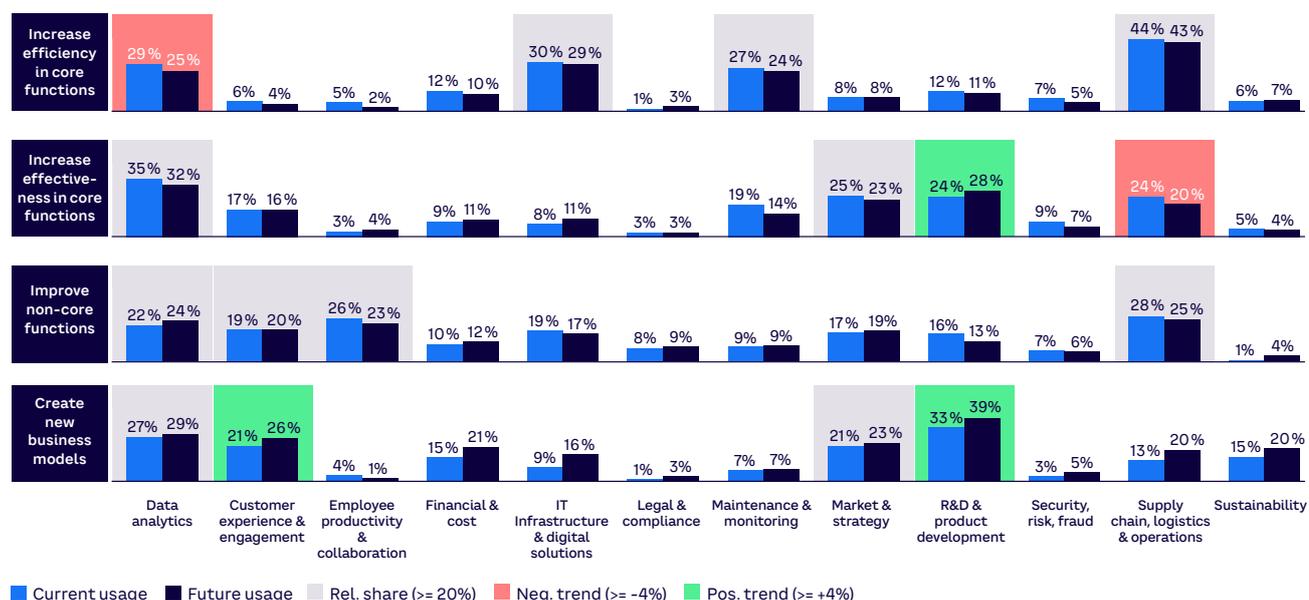
The study asked CEOs to position their current AI activities as not implemented, implemented in a single department, implemented within multiple departments, being used with a strategic view, or implemented with a compelling company-wide strategy (refer back to Figure 10). On the positive side, the number of companies with a compelling company-wide AI strategy more than doubled since 2024, rising from 13% to 29%. On the downside, more organizations are adopting multi-departmental strategies (56% vs. 32%) at the expense of having a strategic view (2024: 47%, 2025: 13%). This points to a widespread piloting of AI, without central control or delivering the benefits of an integrated approach. What AI is being used for is consistent across both years in terms of both dimensions and use cases, again highlighting a lack of tangible progress and maturity in the area.

Figure 12. AI usage cited by CEOs



Note: Out of ~80 topics, only topics mentioned in at least 10 responses are presented
 Source: Arthur D. Little

Figure 13. Planned change in AI use cases, current vs. future



Open question — answers clustered by AI
 Source: Arthur D. Little

CEOS MUST EMBRACE DISRUPTION

2023 was the first time we asked CEOs about AI, and we found they were starting their journey in this area by preparing their organizations, especially through reskilling programs. Fast-forward to 2025, and we see that they are building on these foundations, adopting a portfolio approach that has them piloting AI in a wide range of use cases, from data analytics to their supply chains. The priority for reskilling has eased, either because training has been put in place or due to adopting more intuitive tools, such as AI chatbots that can be used by business employees with minimal effort.

However, there is a significant risk that AI use is plateauing. When asked to compare their current and future use of AI, CEOs don't expect programs and projects to change dramatically moving forward. These use cases overwhelmingly focus on the first three dimensions of AI (driving greater efficiency in the core business, increasing the effectiveness of the core, and improving non-core activities). There is much less usage in the more disruptive fourth dimension of creating and deploying new business models. AI is being used to improve what is already there, rather than to innovate at scale. Adding to this, the lack of a unified strategy in 71% of organizations many cause them to lose value and leaves them open to disruption by start-ups/competitors.

CHAPTER TAKEAWAYS: SCALING AI FOR LONG-TERM SUCCESS

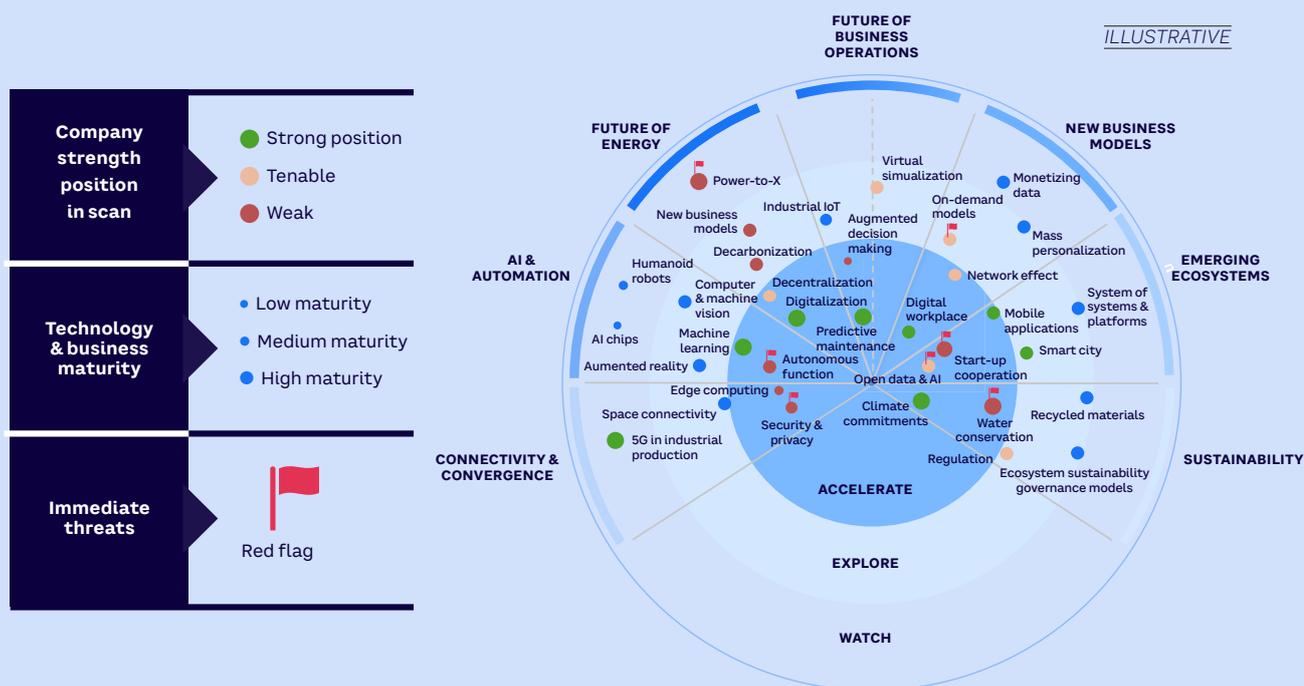
AI is transforming industries at an unprecedented pace, yet many organizations continue to focus on delivering incremental improvements rather than fully unlocking AI's disruptive potential. Many companies are using AI to do more of the same, only better, running a large number of pilot projects. This is not a replacement for strategy. Startups are rapidly embracing AI-driven business models while leading incumbents struggle to scale AI across the enterprise. A recent ADL Report, "[Moving Innovation Forward](#)," identifies more than 900 AI use cases solely in the domains of development and engineering, and many more will materialize.

To future-proof their organizations, CEOs and their leadership teams must take a structured approach to AI adoption — one that moves beyond experimentation and embeds AI into long-term strategy and operations. They must create a vision that goes beyond Waves 1 and 2 to reach Wave 3, creating genuine disruption. Based on extensive project experience and global studies, ADL has identified five focus areas to maximize AI's impact:

1. **Define long-term industry development and scenario planning.** Organizations must develop a clear vision of AI's role within the business environment over the next five to 10 years. Scenario planning can deepen the understanding of how AI can and will change the business, predicting future competitive dynamics and providing support to help define a strategic response. A holistic AI strategy can then be more clearly defined. Continuously tracking of technology, business, and ecosystem trends ensures companies stay ahead of disruptions.

One method for better monitoring and evaluating relevant industry driving forces is through technology and business trend radars (see Figure 14), which categorize technology and business developments based on their maturity and relevance. These can be used to identify where to watch, explore, accelerate, and invest — ensuring CEOs are alert to key future technologies and business opportunities.

Figure 14. Example technology and business trend radar



Source: Arthur D. Little

2. **Develop competitive AI strategy.** A strong AI strategy should include no-regret moves that hold value across scenarios. Companies must determine how AI drives differentiation and enhances business models while increasing efficiency and effectiveness in the core business. Leveraging data, ecosystems, and partnerships is key to sustaining a competitive edge.
3. **Overcome proof-of-concept trap.** Moving beyond isolated pilots requires a shift to enterprise-wide AI adoption that leads to measurable financial impact in the core business. Impact should be clearly tied to overall strategy and business objectives, with AI use cases and clusters of use cases further mapped to overall business objectives to avoid efforts being deployed too widely. Clear KPIs and value metrics should be established, supported by structured processes and ongoing outcome tracking to ensure AI delivers lasting business value.
4. **Implement AI governance and organizational readiness.** Scaling AI demands a governance framework that balances central oversight with decentralized execution. Leadership alignment, new ways of working, and structured upskilling and reskilling are

essential on a broader scale in the organization to integrate AI into core business functions and prevent fragmented efforts. This cultural shift is often overlooked, but getting employees to embrace, experiment with, and integrate AI is crucial.

5. **Build scalable and accessible AI infrastructure.** Democratizing AI requires making tools more broadly accessible across the organization. Furthermore, investing in scalable technology, data, and policies ensures seamless AI integration. Solutions must be flexible and adaptable to support evolving business needs.

The path forward

To fully unlock AI’s potential, organizations must shift from short-term experimentation to strategic execution. AI must be embedded into core business models, supported by robust governance, and enabled by scalable technology stacks. CEOs who take a proactive approach — investing in structured AI strategies, empowering their teams, and fostering a culture of continuous AI-driven innovation — will not only enhance their competitive advantage, but they will also redefine their industries for the future. The time to act is now.

6. ESG CRUCIAL BUT MUST ALIGN WITH BUSINESS PRIORITIES

ESG NOW CENTRAL TO STRATEGY & OPERATIONS FOR ALL CEOS

ESG is now a central part of corporate life. In 2025, 88% of CEOs give the discipline the same attention as other corporate initiatives, with none assigning it a lower priority (see Figure 15). Results by industry varied from 96% in healthcare and life sciences down to energy and utilities at 76%. CEOs in every country have embedded ESG into their strategies — for example, in the US, 93% report that it has the same priority as other initiatives, and only 7% say it has a greater priority.

*“The shift toward sustainability and green technologies is accelerating, and adopting sustainable practices can **create new opportunities for expansion.**”*

CEO, Japan, healthcare & life sciences

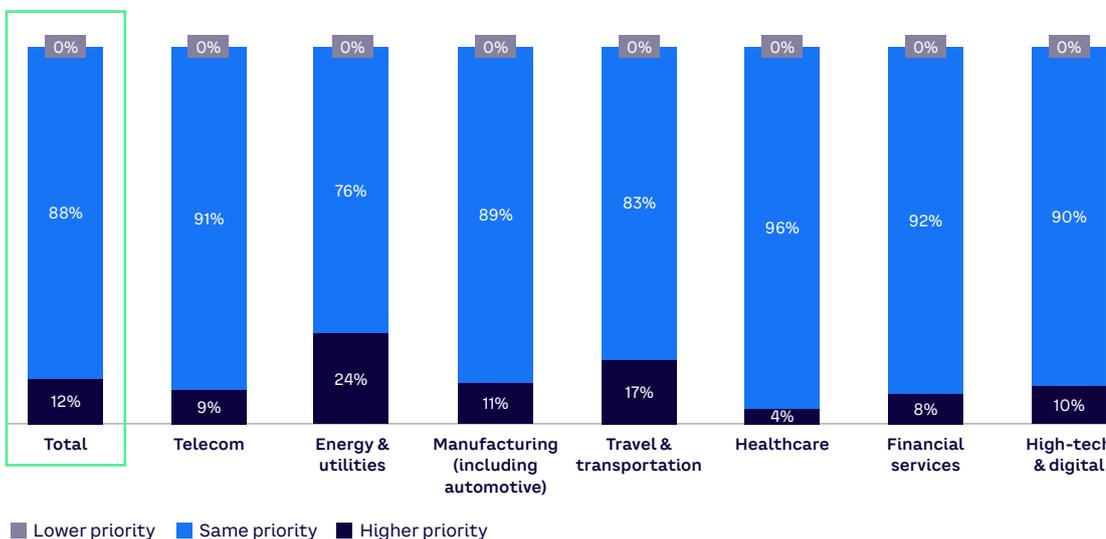
CEOS IN EVERY COUNTRY HAVE EMBEDDED ESG INTO THEIR STRATEGIES

Backing up the importance of ESG, 94% of companies are embedding it holistically in everything they do across the business, rather than treating it as a standalone initiative. Reactive and proactive needs drive ESG: 69% of CEOs said it was to meet compliance requirements, but 63% see it delivering competitive advantage.

*“I believe the growth of **circular economy models will encourage sustainable sourcing** and reduce waste, helping to advance the global economy.”*

CEO, Indonesia, manufacturing

Figure 15. Relative prioritization of ESG vs. other business initiatives



Source: Arthur D. Little

*“We plan to **include carbon pricing in our decision-making** procedures, ensuring our investments are in line with low-carbon technologies.”*

CEO, Italy, energy & utilities

*“Through the adoption of sustainable manufacturing methods, we aim to satisfy the **escalating demand from consumers** for eco-friendly products.”*

CEO, South Korea, manufacturing

CHANGING PRIORITIZATION & DRIVERS FOR ESG

The number of CEOs embedding ESG holistically rose from 77% in 2024 to 94% in 2025, showing the maturity of the discipline. Interestingly, the way it is judged and prioritized against other initiatives has also changed. In 2024, only 71% assigned it the same importance, with 24% giving it a higher priority, twice as high as this year’s 12%. The trend to make ESG part of business as usual is consistent across industries. For example, telecom CEOs giving it a higher importance fell from 28% to 9% year-on-year. At the same time, compliance has become a stronger factor in initiatives, from being cited by 50% of CEOs as a driver in 2024 up to 69% in 2025. Gaining competitive advantage has remained constant (62% in 2024, 63% in 2025), but customer pull dropped from 62% to 42% over the last year.

THE TREND TO MAKE ESG PART OF BUSINESS AS USUAL IS CONSISTENT ACROSS INDUSTRIES

ESG INTEGRATION: OPPORTUNITY OR THREAT?

Essentially, organizations across every industry have caught up with early adopters and made ESG part of their core business operations and strategy, a process potentially accelerated by growing compliance needs. ESG is no longer dealt with in isolation or at a business-unit level.

Although welcome progress, this trend means ESG initiatives are now judged alongside other business priorities — they have to enable competitiveness and deliver ROI. In many cases, CEOs do not see ESG as a good investment that can provide new opportunities, viewing it instead as a necessary (for now) evil, with activities focused on those areas where consumers and governments are demanding action. Indeed, consumer pull as a factor for investing in ESG dropped by 20% between 2024 and 2025.

This shift mirrors the wider world as governments and consumers balance trade-offs between sustainability and economic considerations. Many governments have deprioritized ESG, sometimes for ideological reasons, or delayed deadlines around sustainability, such as by moving back targets to phase out the sale of internal combustion engine vehicles. For many customers, their biggest priority is remaining financially sustainable, rather than buying along ESG lines.

Abandoning ESG can mean foregoing some of the investments made in previous years. CEOs should focus on combining ESG with competitiveness, such as by reducing costs through installing renewable energy generation or creating revenue streams through the circular economy, ensuring that projects deliver ROI along with benefits to the world or society. Many examples of how to achieve this can be found in the ADL Blue Shift report, [“We’re Doomed, Now What?”](#) which outlines adaptation strategies that safeguard business operations and competitiveness moving forward.

CHAPTER TAKEAWAYS: DEMONSTRATING THE IMPACT OF ESG

As the ESG trend evolves, CEOs should take four actions to maximize the business impact of their ESG investments:

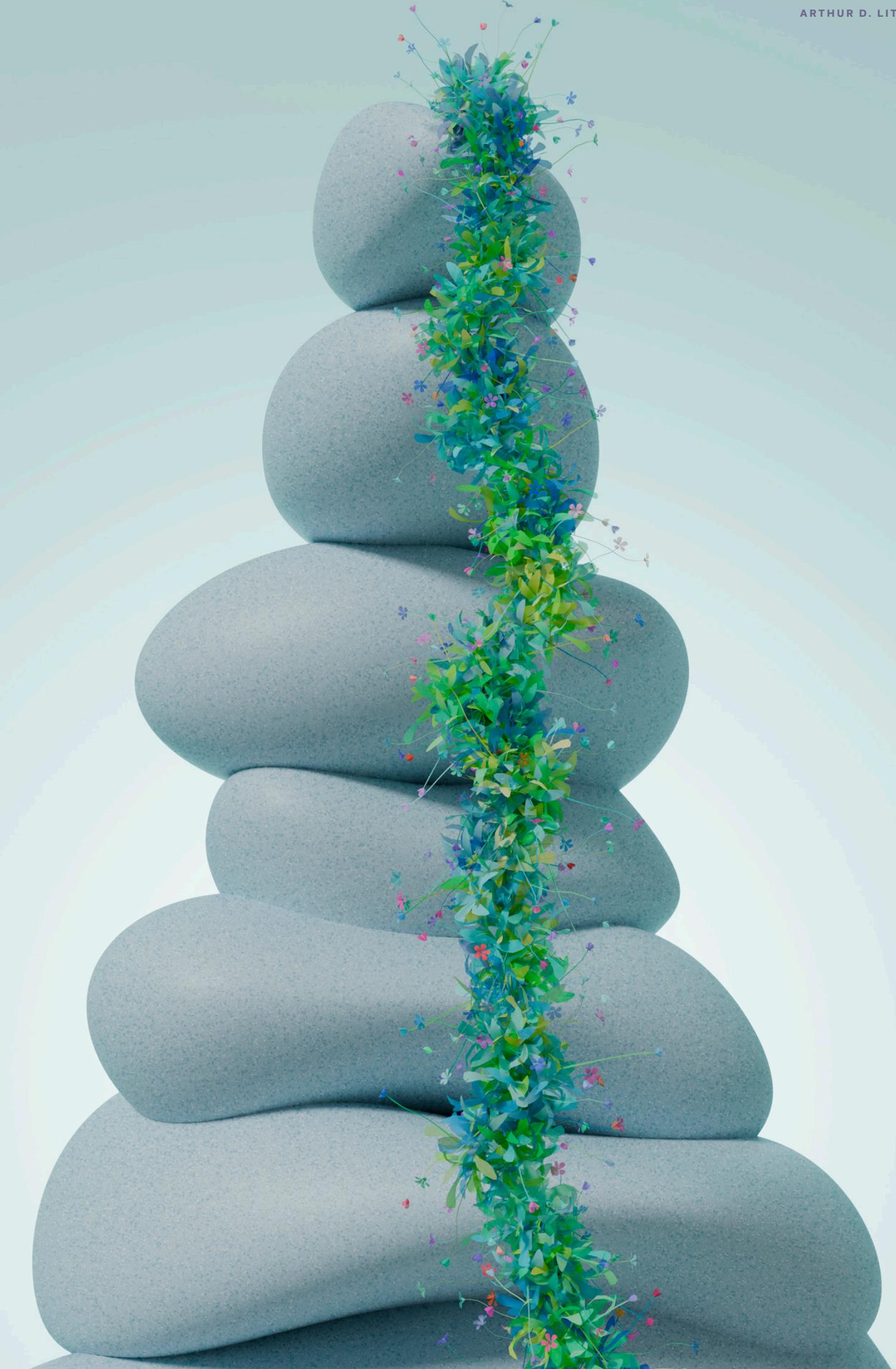
1. **Reinforce stakeholder engagement.** Engage more deeply with stakeholders, both to understand their evolving expectations regarding ESG and to communicate the company's strategy and ongoing initiatives. Stakeholders include institutional investors, customers, suppliers, and employees.
2. **Reaffirm ESG commitment and communicate transparently.** Publicly reiterate the company's commitment to ESG principles, emphasizing their integration into core business strategies and operations. CEOs should be prepared for questioning in the wake of the actions taken by the US administration. At the same time, they need to be prepared to openly share their information and targets on public platforms such as EcoVadis.
3. **Align strategic and ESG targets with financial targets.** Ensure that ESG initiatives are fully aligned with financial objectives, whether that means creating revenue streams, delivering cost savings (e.g., through improved energy efficiency), or contributing to sustainability (e.g., renewable energy), innovation, or financial performance. The more ESG is questioned in the general debate, the more important financial arguments are. Adapt business models to leverage ESG for competitive advantage, such as through innovations in the circular economy.
4. **Use firm but flexible resource allocation.** Allocate resources dynamically to ESG initiatives, ensuring they are flexible enough to adjust to changing business priorities and economic conditions. CEOs must be ambidextrous but remain steadfast in their overall principles, once the organization has reaffirmed its commitment. Not unlike R&D spend, ESG investments are often long term.

So it is tempting to cut costs, particularly when it suddenly appears more politically advantageous to do so, rather than sticking to values and the greater good. Losing sight of your values (or corporate soul) can be dangerous, and being seen as paying lip service to ESG or cynically changing direction is toxic to a company's culture and reputation.

Delivering the value of ESG requires action through a wide portfolio of solutions, which fit into three broad categories:

1. **Unlocking the value of sustainability.** This includes scenario/strategy formulation to understand the financial risk and opportunity of ESG, risk assessment around current product portfolio, carbon management (including the benefits of available credits and offsets), KPI setting, and sustainability reporting.
2. **Innovating for sustainability.** This includes climate adaptation, tech foresight, building circular business models, accessing sustainable financing, and adopting low-emission fuels and/or clean-tech solutions.
3. **Enhancing livability and quality of life.** This includes embracing new opportunities around decommissioning infrastructure, sustainable cities, housing and tourism, and food security.

The most relevant areas for investment depend on a company's industry, circumstances, and strategy. However, even as ESG as a concept is under pressure, there are a range of opportunities for businesses to both improve their own performance and the world by focusing on areas that deliver value to themselves and their stakeholders.



7. UNDERSTANDING ORGANIZATIONAL READINESS FOR CHANGE

CEOS FEEL LESS PREPARED BUT STILL “GOOD ENOUGH” FOR NOW

All CEOs surveyed feel that their current organization is at least adequate to cope with a volatile world. On the talent side, they believe their people have the right skills — 90% describe the need for reskilling as moderate or limited, with none feeling it was “very strong.”

However, the majority of CEOs (51%) describe their organization as “good enough,” with just 4% feeling it is superior to the wider market. There are some variations between industries — for example, 15% of financial services companies see the need for reskilling as strong, compared to 4% of healthcare CEOs.

*“Emphasizing talent management is crucial for bringing in, developing, and holding onto the best talent. A skilled team can quickly adapt to changes in the market and **promote innovation and efficiency.**”*

CEO, South Africa, energy & utilities

*“We are **investing in digital transformation**, enhancing our service offerings, and expanding our footprint in high-demand segments like **genomic testing and telemedicine.**”*

CEO, Brazil, healthcare & life sciences

*“We will continue to invest in advanced technologies such as AI and machine learning for **better demand forecasting and operational efficiency.** Also, we will adopt dynamic pricing models that will respond quickly to fluctuations.”*

CEO, Germany, high-tech & digital

*“We plan to address growth challenges by **increasing operational efficiency** and fostering strategic partnerships.”*

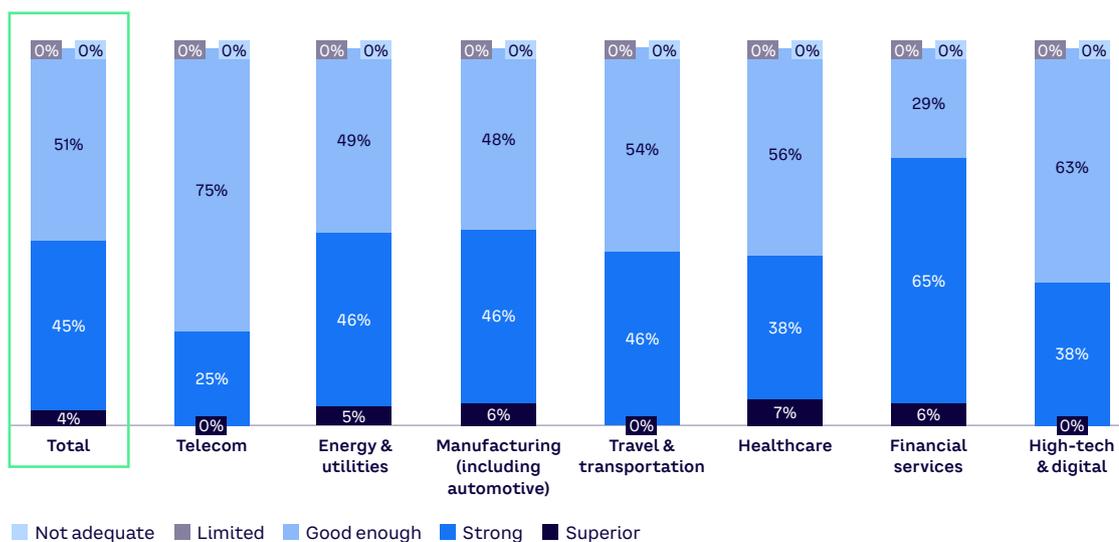
CEO, Saudi Arabia, travel & transportation

DROP IN READINESS & RESKILLING

In 2024, CEOs felt their organizations were better prepared than they are now. Two-thirds (66%) said their organizational structures were “superior” or “strong,” compared to 49% in 2025 (see Figure 16). The percentage that viewed their preparation as “good enough” rose from a third (33%) to about half (51%) over the course of the year. This trend is especially true in \$10 billion+ companies, where numbers in the superior category fell from 28% to 3%, although 55% still describe themselves as strong, compared to 42% in 2024.

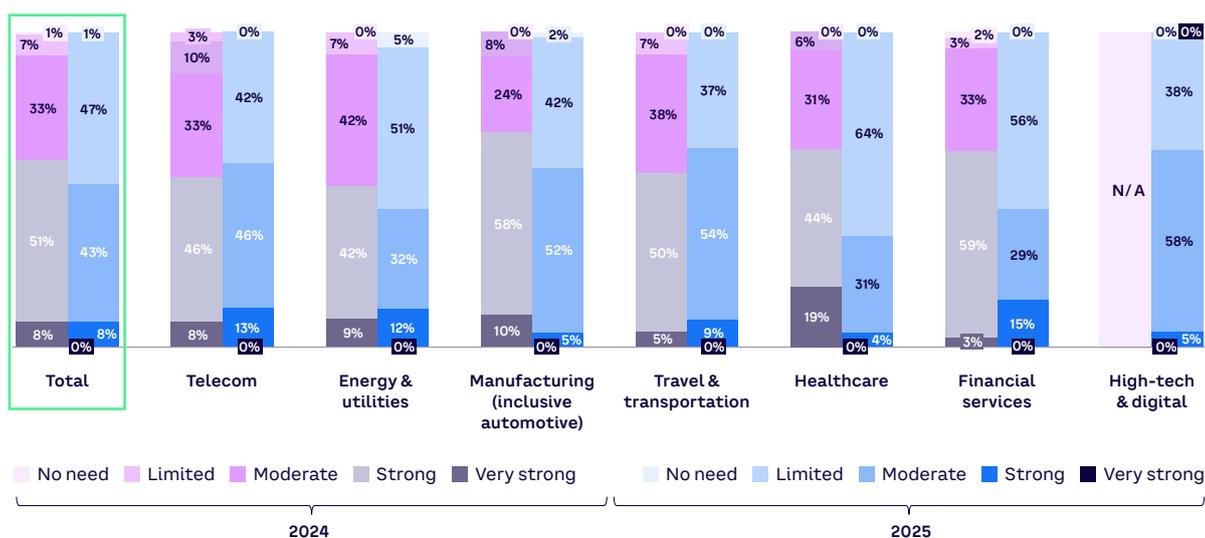
The perceived need for reskilling has dropped dramatically. In 2025, the majority of CEOs across every industry didn’t see a strong or very strong need for reskilling (see Figure 17), with 47% saying it was of limited importance. In 2024, the opposite was true, with the majority of CEOs in every sector describing it as a strong/very strong requirement.

Figure 16. Adequacy of current organization in facing business priorities



Source: Arthur D. Little

Figure 17. Expected requirement for reskilling, 2024-2025



Source: Arthur D. Little

FAIL TO PREPARE, PREPARE TO FAIL

Our data show an interesting discrepancy that calls for further discussion. On the one hand, CEOs tell us they are moving with a positive entrepreneurial spirit for growth into a world that is structurally changing (e.g., through the rise of AI as a creative force that should be integrated into the organization). On the other hand, they say they have high levels of confidence that their organizational setups and employee skill sets are “good enough.”

The fact that only 4% of those impacted by the US election say they have begun actioning their plans lends weight to concerns that organizational structures are neither strong enough nor flexible enough to enable agility.

More than half of CEOs (56%) say they expect to be impacted by the change of president but have not yet put a plan in place. Equally, their lack of progress in AI points to not having the right skills or plans in place to fully harness its disruptive benefits.

Only 8% of CEOs believe that there is a “strong” need to reskill their workforce. We consider this assessment optimistic. In many of our assignments, we see a lack of assessment regarding critical competencies needed to exploit the potential of new technologies, meaning that skills gaps are not highlighted or filled.

This begs the question: is “good enough” adequate in a fast-changing world? We believe this assumption of organizational appropriateness should be tested by CEOs, as explained below.

CHAPTER TAKEAWAYS: STRENGTHENING PREPAREDNESS

CEOs should critically reflect on their organizational readiness and ability to not only cope with but take advantage of volatility at a time of transformative change. They should begin by testing their organizational setup by asking:

1. Does the organization systematically deliver ideas and information that allow for a sound, scenario-based discussion of market opportunities, business models, and courses of action?
2. Is an innovation process in place that allows a systematic discussion of disruption involving all parts of the organization?
3. Is the organization able to perform a risk-management exercise that helps systematically improve resilience?
4. Does organizational culture support innovation and rapid transformation?
5. Is a sound strategy in place to help top management and boards navigate through tough times?

With the answers to these questions in hand, ADL recommends a comprehensive examination of the current operating model. From this, the business can refine and adapt its key layers and processes (e.g., the innovation process), organization (e.g., cross-functional/departmental cooperation), and governance (e.g., investment decisions, staff and capabilities, and ways of working).

During times of dramatic change, such assessments usually result in leaders realizing their operating models require adaptation. These modifications regularly underpin successful, large-scale change. Answering these questions (and repeating this exercise regularly) helps move businesses from “good enough” to strong and superior, creating a culture and organization that can move confidently into the future.



8. HOW SECTORS COMPARE

A strength of the 2025 CEO Insights study is its holistic scope. In addition to speaking to leaders of companies worldwide, the survey sample was balanced among eight key industries:

1. Telecom
2. Energy and utilities
3. Manufacturing
4. Automotive
5. Travel and transportation
6. Healthcare and life sciences
7. Financial services
8. High-tech and digital

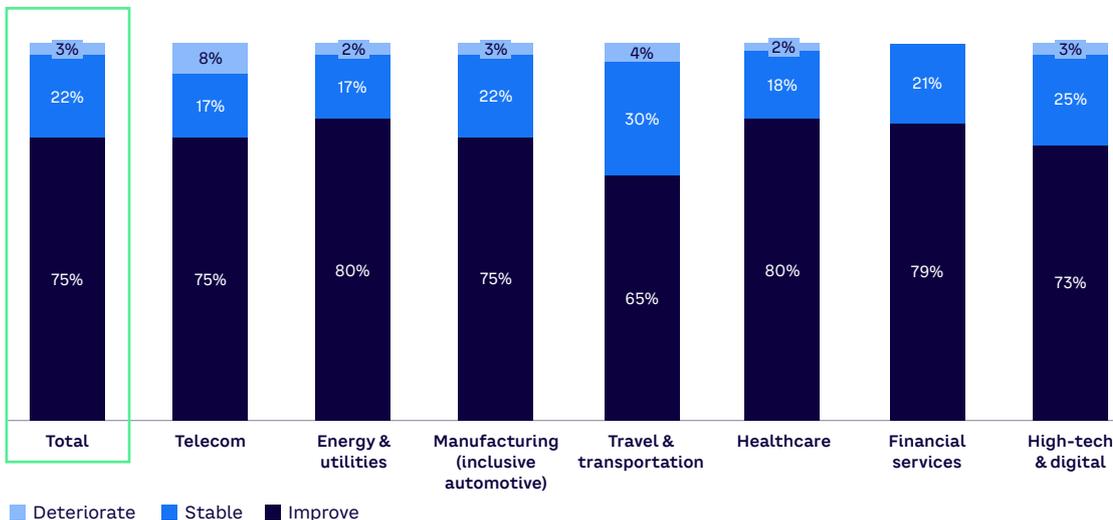
Each sector faces unique challenges and opportunities, impacting the outlook of CEOs, their strategies, and attitudes to key trends. For example, companies in the automotive space are much more open to state intervention than their counterparts in the high-tech and digital industry.

In this chapter, we drill down into four areas within the wider Report to outline and explain differences between specific industries.

VARYING FUTURE EXPECTATIONS

CEOs in every industry see the global economy improving, but there is a 15 percentage-point gap between the most positive sectors (energy and utilities; healthcare and life sciences) and CEOs leading companies in travel and transportation (see Figure 18). This mirrors trends from 2024, in which healthcare CEOs were the most positive and travel and transportation CEOs the most concerned about future growth. Telecom is the only industry in which expectations dropped, from 21% believing the global environment will remain stable in 2024 to 17% in 2025. The number of telecom sector CEOs that worried that the economy would deteriorate also rose, from 3% to 8%.

Figure 18. Expectations for global economic growth by sector



Source: Arthur D. Little

Many of these differences can be attributed to specific trends. In the case of telecom, the need for heavy investment in 5G networks and the commoditization of connectivity are increasing pressure on incumbents. In travel and transportation, changing usage patterns, new technologies such as self-driving vehicles, and on-demand services are all impacting the market. In contrast, healthcare and life sciences see increasing demand from an aging population that can be met through new drugs and innovations accelerated by AI.

"We are leveraging digital transformation by implementing smart grid technologies and data analytics to enhance operational efficiency."

CEO, Brazil, energy & utilities

"We have introduced advanced business management systems that enable us to leverage data analytics for improved decision-making in production, sales, and marketing."

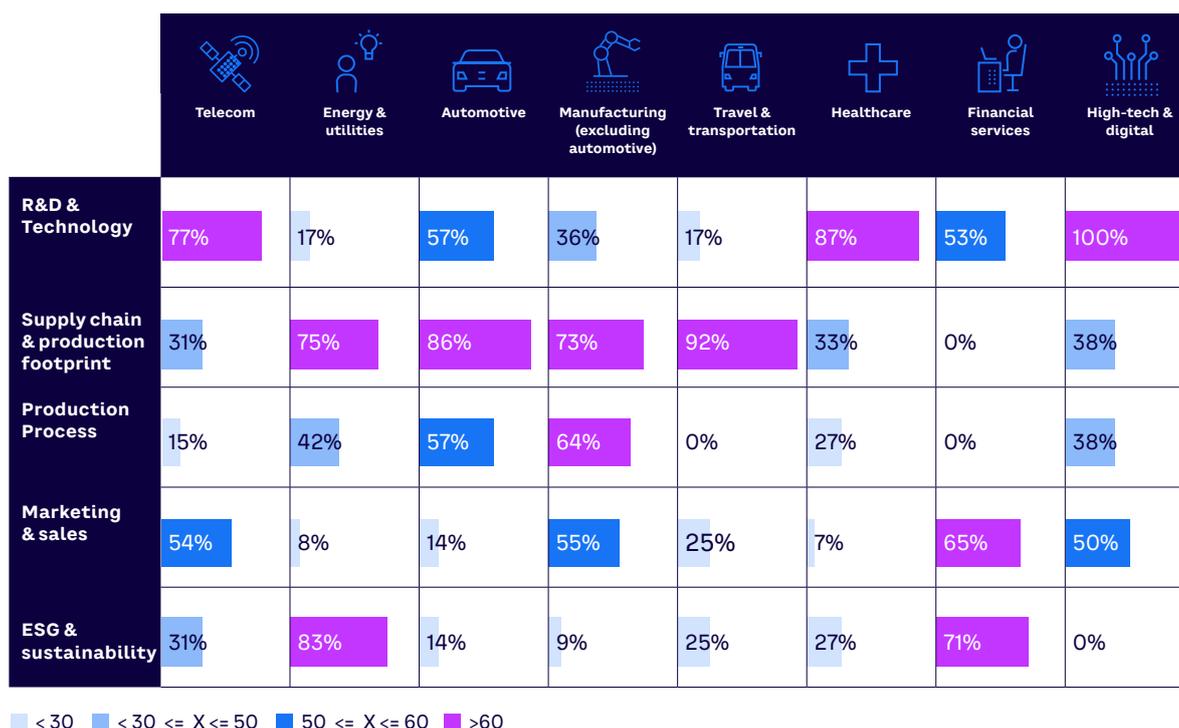
CEO, Japan, manufacturing

RESPONSE TO CHANGE OF US ADMINISTRATION

One sector (manufacturing) is leading the way when it comes to adapting to the actions of the US administration. More than a quarter (27%) of manufacturing CEOs anticipated significant changes and are implementing their plans. Given campaign rhetoric around tariffs and homeshoring production, which could substantially disrupt complex manufacturing supply chains, this proactive stance is not unexpected. Other sectors are sure they will be impacted but unclear about the form that change will take — 88% of high-tech CEOs that anticipate the need for change say it will be significant, for example.

Drilling down into how they believe they will be impacted, we see that R&D and technology scores highly within the telecom, healthcare, and high-tech industries, while (unsurprisingly) the supply chain is a key concern for globalized sectors such as energy and utilities, automotive, manufacturing, and travel and transportation (see Figure 19).

Figure 19. Areas of focus post-election by sector



Source: Arthur D. Little

SOME SECTORS FACE A NEED TO CHANGE IN A GREATER NUMBER OF AREAS THAN THEIR PEERS

Reductions in regulations, including ESG targets and restrictions on marketing and sales, are causing industries such as energy and utilities and financial services to revisit their strategies. We also see that some sectors (manufacturing, automotive, financial services) face a need to change in a greater number of areas than their peers. For example, 92% of travel and transportation CEOs see a pressing need to adjust their supply chain strategy, but this challenge is significantly higher than any other facing the sector, allowing them to focus on it more fully.

"We will implement flexible supply chain practices to adapt quickly to disruptions, while also investing in R&D."

CEO, France, healthcare & life sciences

"Regularly performing stress tests that mimic tough economic situations allows us to predict possible results and modify our plans as needed."

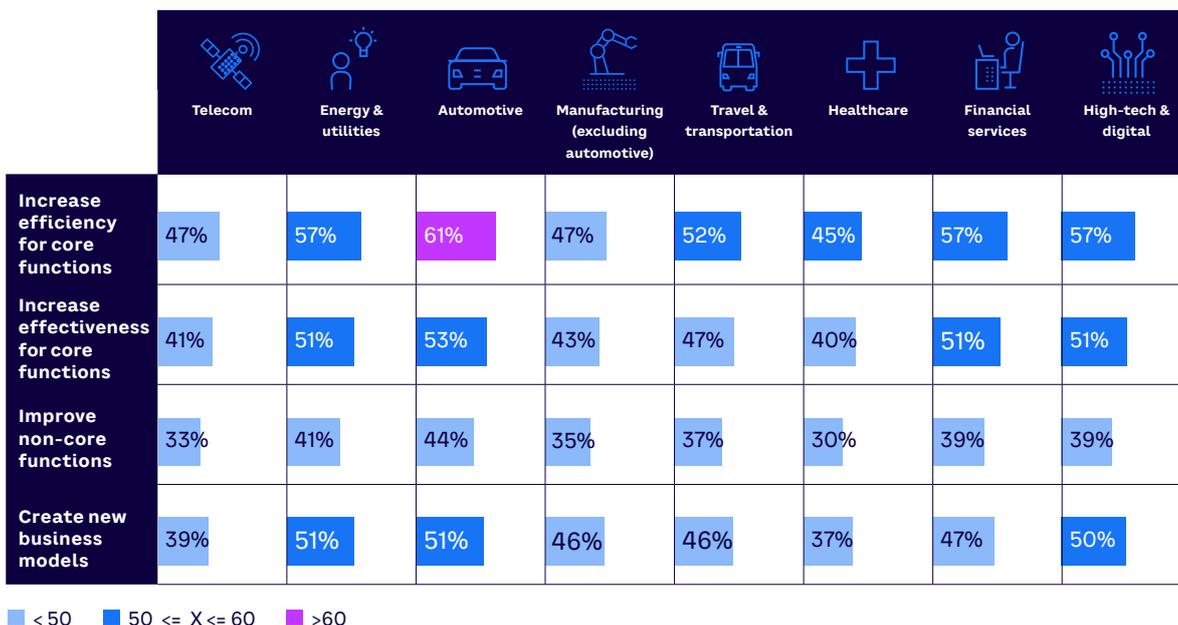
CEO, China, financial services

PACE OF AI ADOPTION

Organization, usage, and future plans for AI vary substantially between industries. When it comes to AI strategy, the high-tech and digital sector leads the way, with nearly half of CEOs having a holistic strategy in place, compared to just 10% of energy and utilities companies, where three-quarters (76%) have strategies only within departments or operating companies.

Current usage is heavily focused on increasing the efficiency and effectiveness of core functions across all sectors, led by automotive for both dimensions (see Figure 20). Scores for improving non-core functions are lower across the board, with healthcare and life sciences (30%) adopting it the least in this area. Although energy and utilities, automotive, and high-tech score highly for creating new business models, these are on or slightly above 50%, reinforcing the need for progress in this dimension.

Figure 20. AI usage by industry and dimension



Source: Arthur D. Little

There are also large differences between how CEOs expect to see AI used in the near future (see Figure 21). Telecoms will use it most widely, but even so, 20% or more of CEOs in the sector will only deploy it in five out of 12 potential areas. Data analytics is the most popular future application, with legal and compliance the least popular — less than 10% of CEOs expect to deploy AI in this area.

“We are employing AI and machine learning to discover innovative drugs and optimize the setup of clinical trials.”

CEO, US, healthcare & life sciences

“AI analyzes vendor performance data, which helps us identify opportunities for cost savings or better supplier relationships.”

CEO, Denmark, travel & transportation

OBSTACLES TO GROWTH

Overall, obstacles to business growth are remarkably balanced, with four areas scoring at similar levels. However, analyzing the findings by industry demonstrates a more nuanced picture (see Figure 22). Competitive pressure from startups that are scaling up faster is seen as a low-impact threat in energy and utilities (perhaps due to the size of players and traditional market structures) and high-tech and digital (potentially because this competition is regarded as a given). Both sectors are more worried about how they can make better use of the data they generate. Startups are seen as a greater threat in healthcare, telecom, travel and transportation, and financial services, in part because barriers to entry into these markets are being lowered by technological progress, particularly AI.

Figure 21. Future applications of AI by sector

								
	Telecom	Energy & utilities	Automotive	Manufacturing	Travel & transportation	Healthcare	Financial services	High-tech & digital
Data analytics	✓	✓	✓	~	✓	✓	✓	✓
Customer experience & engagement	✓	✗	~	~	~	~	~	~
Employee productivity & collaboration	✗	~	✗	✗	✗	✗	✗	✗
Financial & cost	~	~	✗	✗	~	✗	✓	~
IT infrastructure & digital solutions	✓	~	✗	~	~	~	✓	✓
Legal & compliance	✗	✗	✗	✗	✗	✗	✗	✗
Maintenance & monitoring	~	~	~	~	~	~	✗	~
Market & strategy	✓	~	~	~	~	~	~	✓
R&D & product development	✗	✗	✓	✓	~	✓	~	✓
Security, risk, fraud	✗	✗	✗	✗	✗	✗	~	✗
Supply chain, logistics & operations	✓	✓	✓	✓	✓	✓	~	~
Sustainability	✗	✓	✗	✗	✗	✗	✗	✗

≥ 20% respondents
 20% ≥ x ≥ 10%
 <10% respondents

Source: Arthur D. Little

Nearly two-thirds of companies expect industry convergence to accelerate over the next three to five years. This rises to 76% in energy and utilities companies, a trend likely driven by decarbonization, but falls to 46% in travel and transportation, where existing physical infrastructure makes convergence more complex. However, industry convergence is a fact of life for all — just 1% of CEOs expect it to slow down, rising to 4% of those in the telecom sector, which has seen extensive disruption through the bundling of previously separate broadband, mobile, and entertainment services.

OBSTACLES TO BUSINESS GROWTH ARE REMARKABLY BALANCED, WITH FOUR AREAS SCORING AT SIMILAR LEVELS

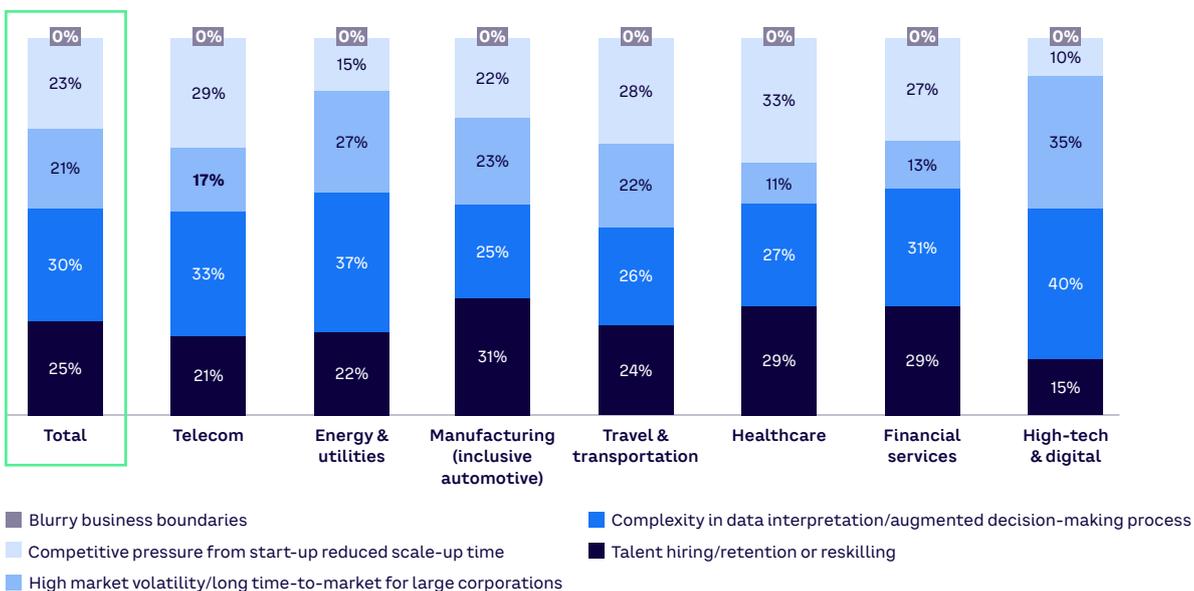
*“We are using **data analysis** to tailor marketing strategies, manage inventory, and predict trends.”*

CEO, US, manufacturing

*“We are focusing on digital transformation, optimizing costs, and **leveraging synergies from convergence** to ensure profitability and adaptability.”*

CEO, Indonesia, telecom

Figure 22. Obstacles to growth by sector



Source: Arthur D. Little



9. BEST PRACTICES FOR CEO SUCCESS

To achieve success in a volatile world, CEOs know they cannot be complacent. They may feel positive about their prospects, but they realize their organizations must be ready to overcome short-term obstacles while gaining flexibility to succeed long term. Based on the research in this study and our experience working with CEOs globally, we recommend focusing on the following seven actions.

1. NAVIGATE GEOPOLITICAL CHALLENGES EFFECTIVELY

- Do not overreact — while separating data around decisions and their impact from the noise that surrounds them is more an art than a science, it is essential for the successful CEO.
- Build bold scenarios, understand inflection points that will trigger action, and assess your real options ahead of time.
- Embrace increased state intervention positively and use it to drive growth.

2. DERISK YOUR BUSINESS — AND SEIZE EMERGING OPPORTUNITIES

- Adopt a portfolio approach to mitigate shocks and disruptions, especially, but not only, in sourcing and manufacturing to derisk the business.
- Develop strategies to protect yourself against potential disruption by implementing no-regret moves that are valid whatever scenarios volatility brings.

WE RECOMMEND FOCUSING ON SEVEN ACTIONS

- Define your bigger bets in order to adapt to changing conditions, enabling you to seize opportunities.
 - Utilize war-gaming exercises to explore worst-case scenarios and potential winning strategies.
- ### 3. BALANCE M&A WITH ORGANIC GROWTH
- Identify and acquire new capabilities and talents more quickly through robust, technology-driven approaches to target identification and screening.
 - Proactively monitor for potential acquisitions that fit within your existing portfolio.
 - Use M&A to bring vital capabilities and skills to the business to support accelerated growth.

4. FOCUS ON AI FOR BUSINESS MODEL TRANSFORMATION & PRODUCTIVITY

- Put yourself in the driver's seat to steer business model transformation through AI in order to rebuild competitive advantage.
- Task senior management to focus on delivering tangible productivity improvements.
- Challenge your company's AI investment cases — both in terms of size (Are they big enough to move the needle?) as well as returns (Is ROI large enough?).
- Implement agile operational frameworks and upskill the workforce for AI-based tasks and business models.

5. LOOK BEYOND IMMEDIATE ESG CONCERNS

- Don't allow the current backlash against ESG to deflect from the business, societal, and environmental benefits these programs can deliver.
- Don't lose sight of overall goals around ESG.
- Communicate clearly around strategy and expected benefits to all stakeholders.

6. REASSESS ORGANIZATIONAL PREPAREDNESS

- Recognize that your companies' skills, capabilities, and models may not be sufficiently robust to thrive in the future.
- Be proactive and conduct measured, in-depth critical assessments of company structures and skills.
- Be prepared to act on the results to adapt and transform in areas such as strategy, culture, resilience, operations, skills, and leadership.

7. TAKE A TRANSFORMATIVE APPROACH TO IMPROVING PRODUCTIVITY

- Recognize the need to increase productivity and make it a core focus.
- Be bold and embrace large-scale, transformative programs to deliver productivity improvements across the organization, rather than adopting a piecemeal approach.
- Go beyond top-down cost reduction to look more widely at process improvement and redesign using AI and other technologies.

CONCLUSION — CEOS MUST BUILD FOR THE FUTURE

ADL's 2025 CEO Insights study highlights that prominent CEOs believe they are well positioned to thrive in an ever-more volatile world. Based on this, they are increasing investment and taking a more proactive, agile approach to strategy and operations, pivoting to both seize opportunities and overcome potential geopolitical challenges as they emerge.

This strong entrepreneurial spirit is leading to a high potential for global economic growth, with CEOs diversifying the levers they use to deliver success, particularly among top-quartile companies that are leading their markets. As part of this, they are demanding careful, industry-specific government intervention and support that will deliver the required structural changes to prepare economies for the future.

However, when we drill down into the results and compare them with our own experience, we see some warning signs. There is a tendency to handle critical growth drivers like AI as business as usual, which may lead to an underutilization of its transformative potential.

NOW IS THE TIME TO BUILD ORGANIZATIONS AND TEAMS

Successful AI strategy and management will be a strong differentiator between those that accelerate their growth and those that end up treading water. CEOs also seem to be underestimating the need to critically review the readiness of their operating models to support growth, entrepreneurship, workforce reskilling, and risk management as the pace of volatility accelerates rather than slows.

The competitive bar and global volatility is continually rising, requiring investment and time to ensure that companies are prepared for whatever the future holds. Now is the time to build organizations and teams that can deliver results in a less predictable world.

About ADL's 2025 CEO Insights study

The survey involved interviews with 309 CEOs from companies worldwide with turnover of more than \$1 billion. Just over three-quarters (77%) led businesses with a turnover between \$1 billion and \$10 billion, with 23% having annual revenues of more than \$10 billion.

CEOs were equally distributed among organizations in eight industries (telecom, energy and utilities, manufacturing, automotive, travel and transportation, healthcare and life sciences, financial services, and high-tech and digital). For a truly global view, respondents were based in Europe, Asia, the Middle East, Africa, and South and North America.









Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. ADL is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

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