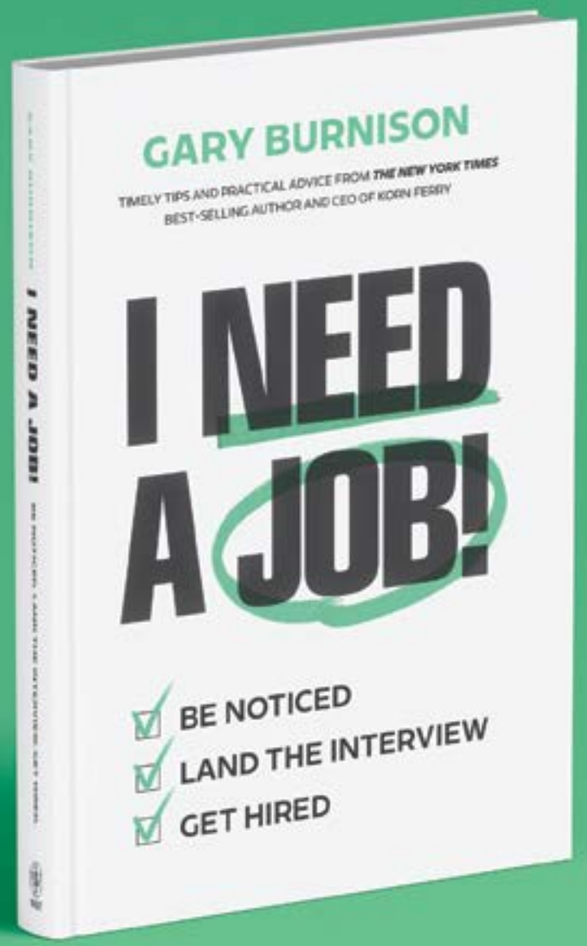
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BRIEFLY ON...



LEADERSHIP

"They should ask 'How can we adapt?'"

Briefly On...
Insights on different business sectors.
8

History Lesson
Learning from the missteps of our predecessors.
15

Voices
Insiders on today's top management issues.
16

Illustration by **ROB DOBI**

LEADERSHIP

A Mountain of Risks—Few Answers

For the second straight year, CEOs and directors tell Korn Ferry risk is rising, but confidence isn't. **By Russell Pearlman**



If the last decade has taught leaders anything, it's to expect unexpected risk to happen pretty regularly. A worldwide pandemic. Trade wars. Shooting wars. Supply-chain blockades. Natural disasters. A technological sledgehammer called AI. All of them have been on the menu, sometimes more than once, since 2020. Business elites certainly think more is on the way; 64 percent of board directors and CEOs believe their organizations face more risks now than they did a year ago, according to the latest Korn Ferry CEO and Board Risk survey. That's after 62 percent said that there'd be more risks in 2025 than there were in 2024 (a prediction that proved prescient). Yet in 2026, barely half, or 52 percent, of those executives are confident in their firm's ability to handle risks, and even fewer, 42 percent, are confident that their organization will handle unexpected risks. This lack of confidence comes even as firms have poured billions of dollars into scenario planning, supply-chain backups, and other risk-mitigating tactics. Experts say the continued anxiety probably isn't a problem of money, tactics, or even a lack of staffing talent. It's an issue that falls squarely on the shoulders of those at the top of the corporate ladder. Leaders shouldn't ask only how things could go wrong, says Aarn Wennekers, founder of the board consultancy Success Advisors. "They should be asking 'How can we adapt in time?'"

Perhaps unsurprisingly, executives worry the most about the risks over which they have little to no control. Only 33 percent said they felt confident they could manage economic volatility, while only 26 percent felt they could effectively navigate geopolitical risks. Just 38 percent said they had confidence the firm could handle the challenges around AI and future technologies. But it's not as if executives feel rock-solid about things they do have a lot to say about, either. About three in five, 58 percent, said they feel their firms have a firm grasp on leadership development, while 53 percent said they're confident they can manage regulatory and compliance risks.

Of course, this anxiety is a far cry from the confidence that those same leaders project to investors, employees, and other stakeholders about their ability to manage volatility. From 2020 through last year, instances of the word "resilience" and its variations rose 162 percent on the earnings calls of major US public companies, according to the AI-research firm AlphaSense. Executives might feel they have no choice but to project confidence. **"I'd be horrified if, as a shareholder, the CEO of a company I was investing in said they're not managing risks well,"** says Dennis Carey, vice chair and co-leader of Korn Ferry's Board and CEO practice.

Many organizations have become quite good at identifying risks, but they're not always sure how to prepare themselves for them. Other firms are responsive to a disruption's first occurrence, but fail to identify the underlying conditions that enable it to recur. "Experience does not automatically create learning," says Laura Brennan, founder and executive advisor of the I CAN Collective, a risk consultancy active in Europe and the Middle East.

All of this points to a lack of agility, experts say. To respond rapidly and confidently to conditions requires planning for every scenario, along with directors and CEOs being willing to learn, experiment, and take bias out of decision-making.

Leaders, Carey says, should be looking around corners to head off their biggest business risks. Executives should be investigating small companies, using innovative technologies and business models—then buying them out or partnering with them. Fewer than half of the firms in the 2000 edition of the Fortune 500 are on the list today; the rest have gone out of business, merged, or been acquired. Sure, political and environmental catastrophes could spring up, but they aren't the primary reasons firms disappear.

Illustration by ROB DOBI

THE TAKEAWAY

The lack of leadership confidence can rattle stakeholders.

WHO'S CONFIDENT?

The level of anxiety about various risks varies widely by industry.

How confident are you in your organization's ability to manage the following risks?

	TOTAL	FINANCIAL SERVICES	HEALTHCARE	INDUSTRIAL & MANUFACTURING	TECHNOLOGY	LIFE SCIENCES	CONSUMER MARKETS	PUBLIC SECTOR
VARIOUS RISKS								
ECONOMIC VOLATILITY	33%	46%	35%	28%	22%	33%	30%	38%
GEOPOLITICAL	26%	38%	27%	22%	22%	18%	32%	21%
AI AND FUTURE TECHNOLOGIES	38%	38%	38%	31%	53%	39%	32%	35%
LACK OF OR LOSS OF TALENT AND SKILLS	44%	57%	32%	39%	42%	52%	30%	56%
REGULATORY AND COMPLIANCE	53%	65%	54%	47%	53%	48%	41%	62%
LEADERSHIP-PIPELINE DEVELOPMENT	58%	68%	54%	53%	58%	48%	51%	76%

TALENT BY ARIANNE COHEN

A Very Modern Definition of 'Sabbatical'



Priyanka Gupta/iStock/Getty Images

REMEMBER THE SABBATICALS OF yore? When long-term employees would take six months off to travel? Or to enroll in a leadership boot camp? Or to write a book (invariably discovering that writing a book takes longer than six months)?

That was then. Today's managers are increasingly fielding questions from employees about long absences, signaling that the concept of the sabbatical has become something far more utilitarian, and, in some cases, heartbreaking. "I am seeing more employees asking for extended time away for caregiving," says Erika Duncan, co-founder of HR consultancy People on Point.

Both demographics and great advances in medicine are creating this new workplace need. People today survive a wide array of illnesses and injuries, but in doing so, they expand their universe of needs. Those needs often land firmly on the shoulders of their children and other relatives, who must then balance their own careers with caregiving. That's a growing issue at a time when baby boomers are turning 75 at a rate of 8,000 Americans per day. "They ask whether there is a way to make it all work," says Duncan.

Tell this to the busy manager who is thinking, "How on Earth will I maintain productivity for six months without Sue?" The sense of panic is particularly acute if Sue is clinical, revenue generating, customer facing, or in another critical role. Managers are skilled in getting things done with a hired team, not in navigating the murkiness of an emergency-leave request that extends beyond relevant state or federal leave policies.

Two-thirds of firms now have a policy for long-term, unpaid-caretaker or medical leave, up from 44 percent in 2018, according to the World at Work Total Reward Inventory Survey. The Family and Medical Leave Act, which governs firms with fifty or more employees, allows workers 12 weeks of unpaid, job-protected leave. Beyond that, it's the Wild West: Some company policies are just a sentence or two; a third of firms have no policy at all.

Experts say that before managers panic, they should know that there is a common escape hatch: talking with employees about what they really need. "Though it feels like a catastrophe, people forget that in practice, many employees don't necessarily need continuous leave," says Ron Seifert, North America workforce reward and benefits leader at Korn Ferry. Rather than six months off, employees might simply need enough freedom to attend appointments and take occasional rest days.

In the initial meeting with the employee, managers should just listen, says Jennifer Schaefer, CEO of benefits consultant JS Benefits Group. Then, Duncan advises, they should pull HR in early, to understand policy, legal requirements, and precedent. When managers go astray, it's often in being too loose. "Compassion does not require the absence of structure," she says.

In the end, the work-around may pay off, as retaining a good employee is cheaper than hiring and training their replacement. What's more, "there is nothing more important for building employee loyalty than having their best interests at heart," says Erin Bortz, global manager of recruiting at cybersecurity firm Huntress.

THE TAKEAWAY

Leaders should avoid overreacting as much as possible.

LEADERSHIP BY ARIANNE COHEN

The New CEO, the New CEO...



Art Box Images/Getty Images

IT'S CERTAINLY A DIVERSE AND LONG list of retailers: Target. Walmart. Dollar General. Best Buy. 7-Eleven. Kroger. Lululemon. L.L.Bean. Saks. Givenchy, Armani, and Bottega Veneta. But it turns out they all have something in common: Their top seats are—or soon will be—held by someone new to the job.

If this sounds familiar, it is: Retail is far from the first industry to experience high CEO turnover. Leader exits tend to be correlated with disruption, like that of the post-pandemic period, when healthcare-CEO turnover hit record highs. But for now, retail holds the crown. Last year, the consumer sector had the highest CEO turnover of any industry worldwide, at 17 percent, with 54 exits. Now, a year later, the old CEOs have said sayonara, and most of their successors are on the job. "It is recognition that

retail is in trouble," says retail expert Paco Underhill, author of *Why We Buy*. "The line between cyber and physical is getting fuzzier and fuzzier, and some retail icons are going the way of the dinosaurs."

What now? Buckle up. A sports analogy: Typically, coaches play against each other's teams for decades, developing familiarity with each other's respective inclinations. When a new coach comes in, rivals don't know the new playbook, so for a couple of years, they have to guess. "Past competitive behavior becomes less predictive," says former CEO Arie Brish, a board director and adjunct faculty member at St. Edward's University.

Overall CEO turnover in the US has declined this year, but retail is still reeling. This is perhaps because the sector is a bellwether for major changes, including the ongoing e-commerce revolution, and, more recently, the budget-eating advent of gen AI. Meanwhile, 61 percent of consumers say price matters more than it did two years ago. As consumer habits change quickly, some retailers are struggling to pinpoint who, exactly, their e-commerce customers are and what they want.

On paper, retail is actually flush, with after-tax profits at large US companies nearly doubling. But most of that revenue has come not from stores but from investment and other non-operating gains; the core business has had to absorb tariff costs and uneven demand. At the same time, boards are noticing that executives who led their organizations through the pandemic don't seem to have the skill set needed for the age of AI. They performed well in higher-growth scenarios, but now firms are running during a low-growth era that's driven by price rather than volume.

Since the newest leaders have (mostly) arrived, much of the retail industry is in a wait-and-see posture. "When so many leaders are new and an industry has long-standing ways of doing things, the barriers go down," says Jane Edison Stevenson, global vice chair for board and CEO services at Korn Ferry. "There can be a new level of invention." New leaders typically explore the business for ninety days before they make changes, often by swapping out leaders one level below the C-suite. In turn, numerous employees wait to see which way the wind blows. Expect big thinking. "It enables people to think more broadly," says Stevenson.

THE TAKEAWAY

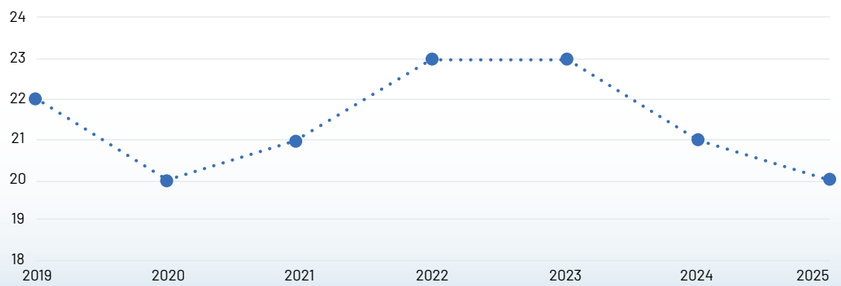
A rash of new CEOs coming in can have positives.

DATA

A LACK OF (MANAGER) ENGAGEMENT

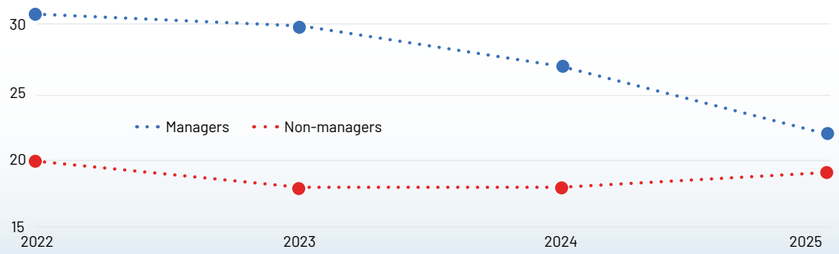
After rising for a decade, the number of engaged employees has started falling since peaking at 23% in 2022 and 2023.

GLOBAL EMPLOYEE ENGAGEMENT, 2019-2025
(% ENGAGED)

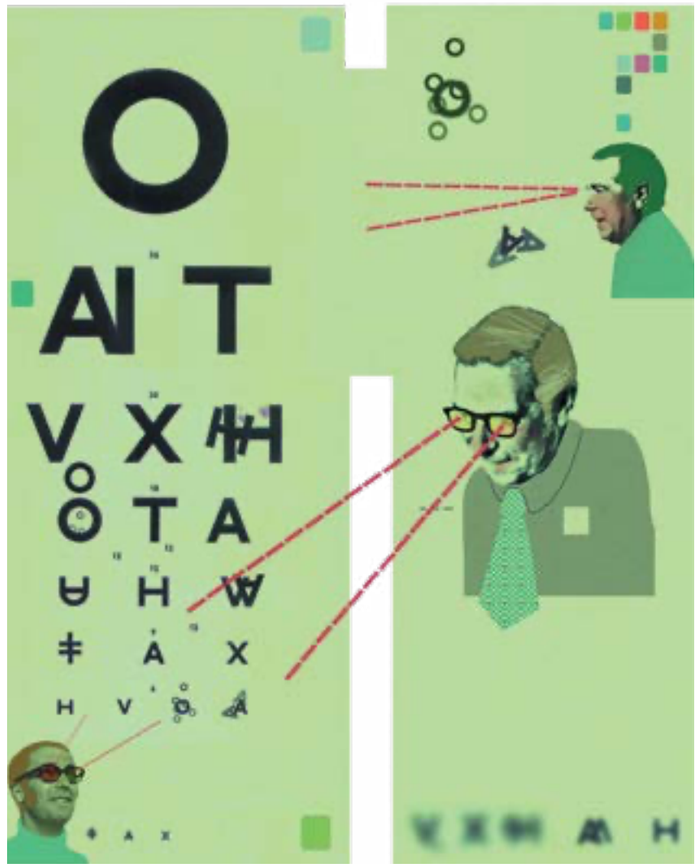


But looking closer reveals a surprise: It's managers bringing down the numbers. Engagement among managers dropped from 31% in 2022 to 22% in 2025, while engagement among individual contributors was nearly flat.

THE VANISHING MANAGER PREMIUM: GLOBAL ENGAGEMENT BY ROLE
(% ENGAGED)



Source: Gallup Workforce Report



Ray Smith/Stockbyte/Getty Images

DEVELOPMENT

BY RUPAK BHATTACHARYA

What Is Your 'Factory Setting'?

THE CAR-COMPANY CEO HAD mapped out his firm's strategy to perfection. Then the price of fuel shot up threefold, leaving him without the faintest clue of how to pivot. A trusted confidant said perhaps the CEO needed to adjust his "factory settings."

His what? Each year thousands of leaders go through assessments in which

their behavioral tendencies are diligently dissected to diagnose whether or not they're fit for the top job. But the biggest obstacle for such leaders could be their own factory settings—otherwise known as their inability to move past the way they've always done things.

To be sure, breaking old habits is not a new problem, but today's emphasis on authenticity and trustworthiness has convinced many leaders to adamantly stick to who they are. That strategy doesn't appear to be foolproof, though, with one report putting the cost of poor management and lost productivity from disengaged employees at $8.8 trillion, or 9 percent of global GDP. "It's a cop-out. It's an excuse to say 'I am my default settings,' because it's convenient," says Jamen Graves, Korn Ferry's global leader of CEO and enterprise leadership development.

Graves argues that "leading by design," as he calls it, more authentically demonstrates who you are than following factory settings does. "It's not solving for what's comfortable. It's solving for what you believe in," he says. And in an era in which AI's capacity is almost doubling every half year, the stakes for leaders to rapidly adapt could hardly be higher.

Experts say that the factory settings that commonly need fixing include small-picture focus, intolerance for ambiguity, and a lack of optimism. Graves advises moving past these kinds of unhelpful inherited traits by following three steps: cultivating an awareness of and context for one's audience, developing an understanding of one's own particular factory settings, and engaging with a given situation guided by a purpose that one truly believes in.

When it comes to enabling an entire workforce to change its factory settings, leaders' empathetic listening skills also become critical, according to Dr. Gabby Burlacu, an organizational psychologist and future-of-work researcher. She notes, for example, that the top-down manner in which some firms notified employees of return-to-work policies often backfired. "What workers really wanted was just to feel heard," she says.

For those who believe that empathetic listening isn't necessary in a tight job market, experts point out that the pendulum can swing back. Indeed, a third of managers say they've rehired human workers whom AI was going to replace. Perhaps even AI needs a look at its factory settings.

THE TAKEAWAY

Simple listening still matters.

WHAT'S ON THE NEXT BOARD AGENDA

1

EMERGENCY SUCCESSION

New research shows that one in every seven CEO departures in the last two years was forced by activists.

2

CEO DIRECTORS

Nearly 40% of new directors are now current or former CEOs, the highest percentage since 2012.

3

CYBERSECURITY

Increasing instances of AI agents going rogue have elevated cybersecurity concerns.

HISTORY LESSON

BY GLENN RIFKIN

Juicero: Squeezed Out of Business

A $700 juice presser launched with enormous hype became another forgotten Silicon Valley disaster.

WHEN THE DOT-COM bubble burst around the millennium, startups like Pets.com, Webvan, and eToys, each of which had raised hundreds of millions of dollars in venture capital, proved to be classic examples of Gertrude Stein's famous quote about the city of Oakland: There was no there there! Based on shaky or ill-conceived business models, these companies quickly imploded.

Flash forward to 2016, and one more overfunded example of Silicon Valley excess arrived in the form of Juicero, a startup venture built around a $700 Wi-Fi equipped juicer that went from darling to disaster in just 16 months.

The company, founded to much fanfare in 2013 by a health-food expert, promised to bring the joy and bodily benefits of fresh farm vegetables and fruit to an eight-ounce glass of cold-pressed juice on the countertops of America's kitchens. The impressive-looking machine used packets of fresh chopped-up produce from organic farms, packed by hand by hundreds of workers in the company's factory. The machine, which came complete with a smartphone app to identify ingredients, squeezed the packets with a mind-boggling four tons of force—and out came a sparkling glass of the fresh juice that was a nationwide craze at the time. "You're getting this living nutrition," the founder bragged. "It's like drinking the nectar of the earth."

Sensing a growing craze for cold-pressed juices, outfits like Google Ventures, Kleiner Perkins Caufield & Byers, and Campbell Soup invested more than $120 million into the venture. They all believed that cold-pressed juice had the makings of a multibillion-dollar industry and that this slick machine along with its subscription services would generate a massive revenue stream.

Trouble started quickly. When the product was launched in March 2016, consumers balked at the hefty price tag, so Juicero soon lowered it to $400. In April 2017, an article and video that were posted on the Bloomberg News website demonstrated that the packets of produce could be squeezed by hand and spawn nearly the same amount of juice. The high-priced machine was rendered superfluous. The story quickly went viral, and suddenly, Juicero became a laughingstock.

"It was a beautifully built machine that answered a question nobody was asking," says Patrick McGovern III, a technologist and venture investor in the San Francisco Bay area. "The market doesn't reward how hard something was to make. It rewards how much easier it makes someone's life."

Within four months, the company suspended operations and began searching for a buyer. When none could be found, Juicero went the way of Pets.com, from Silicon to Death Valley, yet another venture whose results didn't come close to matching the pre-launch hype.



Juicero credit: AMY LOMBARD