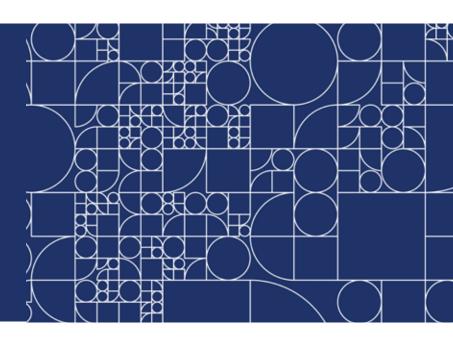
SpencerStuart

Turning leadership ambition into reality

A blueprint for CSCOs



Chief executives have to be many things.

A systems thinker — someone who can strategically dissect the bigger picture. An effective communicator — they have to be equally at home in smaller groups as they are with larger audiences, in-person or online. An innovator who blends cutting edge thinking with resilience — they need to be agile enough to pivot to new opportunities while also able to adapt to competing pressures and demands. And that's just a few examples — there are plenty more out there.

The same goes for supply chain leaders.

Think about it. Just like the CEO, a supply chain executive is mission critical to their organisation. As the pandemic made painfully clear, businesses and society as a whole are hugely dependent on the supply chains which criss-cross our planet. They may not be visible to the naked eye but they are essential, vital, to our way of life.

Alongside their CEO, supply chain leaders, particularly the chief supply chain officer (CSCO), also have to navigate a cocktail of external challenges beyond their control.

With geopolitical plates shifting, CSCOs have to ensure that supply chains are strong enough to withstand ongoing disruption to trading routes through the Red Sea, as well as Russia's invasion of Ukraine, reduced traffic through the Panama Canal and unforeseen events such as the Baltimore bridge collapse and striking dockworkers on the East Coast of the United States.

It's no wonder then that CSCOs are increasingly being seen as strong candidates for the CEO role. But while they possess a number of strengths that leave them well-suited for the top job, what else do they need to do in order to extend their skills and experience?

We recently sat down with a select group of CEOs who have senior supply chain backgrounds to consider these issues and discuss their collective experiences. How did their supply chain experience equip them for the CEO role? What challenges have they faced? What development advice do they have for those seeking to make a similar career ascent in the future? Here's what we found out.

Background checks

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From seeking to relocate suppliers and facilities, to investing in technology, in particular generative AI, to holding an ever-fluctuating amount of inventory and stock, supply chain leaders have to manage an eclectic blend of challenges and priorities in perpetual motion.

However, as we argued in our article, <u>Chains of Command</u>, the good news is that that top-tier talent is increasingly in place to address these concerns; the opportunity for impact and growth across the full spectrum of supply chain activities is proving an alluring combination for the best and brightest.

But that's not to say that every supply chain leader has a similar background — it's fair to say that Vincent Wauters, CEO of Rossignol Group, has had a somewhat unconventional route to the top.

"I'm a historian and didn't even known what the 'CSCO' acronym stood for," he admitted. "I trained to be a teacher but my route into supply chain happened because one of my friends told me that head-hunters were looking for young professionals with university degrees and two languages and so I sent my CV off."

Such mixed backgrounds are to be encouraged. Diverse teams are proven to come up with fresh ways to solve problems and create new products and they also serve as a powerful inspirational tool, according to Hans Huistra, CEO of Royal HZPC Group. "Young talent always looks very closely what's happening above them," he said. "And if they see only marketeers or only financial people, then they will move on and try their luck elsewhere."

But it's also worth noting that career breakthroughs can sometimes hinge on specific moments or circumstances. "At university I did an internship in production working making perfumes," recalled Marco Bertacca, CEO of Quorn Foods. "I worked with a group of women on the line. I was very young and they almost adopted me. I learnt that it really doesn't matter how good a machine or a product is, it's the people that make it a success or not."

By the numbers

We evaluated the profile of 50 candidates with supply chain backgrounds who were considered during our CEO searches conducted over the past year.

Current roles

- » 44% currently hold Group CEO positions
- » 22% occupy Divisional P&L roles
- » 33% are in Regional P&L positions

Path to P&L

- » 44% transitioned directly from Supply Chain to P&L roles
- » 37% had previously held local P&L roles before advancing to leadership positions
- » 19% gained experience in other functions, predominantly in commercial roles, before moving into P&L leadership

Industry background

- » 56% come from the consumer sector
- » 26% come from industrial
- » 15% come from services
- » 4% come from healthcare

Gender split

- » 93% male
- » 7% female

Cross-border experience

- » 78% have lived or worked in more than one region throughout their careers.
- » 33% have experienced life in at least three or more regions

Career progression

- » 16 years is the average tenure in supply chain-related roles
- » It takes an average of 24 years to transition from the start of their careers to a P&L position





All set for a seamless transition?

Many aspects of a supply chain leader's role leave them well-equipped for the CEO hot seat. A CSCO manages complex programmes and projects; a CSCO understands the importance of operational efficiency; a CSCO operates at the intersection of different parts of the business; a CSCO manages many stakeholders. Such core competences are particularly pertinent for someone in a CEO position.

We heard from one serving CEO that the holistic viewpoint that CSCO's enjoy across the business is critical. "Knowing how a business works from order to cash is a very valuable part of the decision-making process," he said. "Supply chain also puts you in a very uncomfortable environment of dealing with multiple variables and understanding risk. One of the most important characteristics of a CEO is the ability to define what we are not going to do."

One former CSCO turned CEO told us that supply chain opens up different operational experiences. "I think being a successful chief supply chain officer is a much better training ground than being a very successful CFO," he said. "CFOs tend to manage things like headcount, marketing spends money, but they don't have the complexity of the business that a supply chain leader has."

CSCOs also pick up lessons that can help a CEO win market share. Aldo Uva, former CEO of CSM Ingredients says that managing inventory and cash expenditure is key to strengthening a business's balance sheet particularly when profit margins are low and every penny counts. "Agreeing on the specific cadence of delivery for products can create the conditions to reduce costs and increase competitiveness," he said. Then there are those sectors that are particularly attuned to a CEO with a supply chain background. An industrial or manufacturing company, for example, or one that operates in transport or retail, will inevitably seek out senior leadership candidates with supply chain experience to tap into their knowledge of operations and logistics — a point made by Enrico Mistron, CEO of GEOX.

"In companies where operational efficiency and cost reduction are critical for competitiveness, supply chain leaders with their expertise in process optimisation are particularly well-suited to become CEOs," he said. "The ability of supply chain managers to address disruptions and operational challenges makes them strong candidates for senior roles."

And it's important to note that the increasing presence of sustainability within a CEO's remit is also advantageous to those with a supply chain background. Along with their colleagues in procurement, the CSCO has a huge role to play in reducing Scope 3 emissions, upholding ethical standards in the supply chain and reducing risks — all qualities that are likely to become more central to CEOs' work in the future.

Gabrielle Kalkwijk, former CEO of Ardo, says that an organisation's sustainability track record can play a pivotal role when recruiting young talent. "Leaders of the future are very aware of what companies are doing on sustainability," she said. "You need to be inspiring, you need to have your plan — it can't just be greenwashing."

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> ENRICO MISTRON CEO OF GEOX

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But what about the drawbacks?

In our article, <u>Leadership for a Complex World: Planning for the CEO of the Future</u>, we explored the changing nature of CEO leadership. We found that the context in which CEOs operate is becoming fundamentally more complex, and traditional approaches to leadership no longer work.

With more and more being asked of CEOs, very few functional leaders are appointed to the role without first gaining experience in general management and taking on P&L responsibility. Even CFOs, often seen as primary candidates for becoming chief executive, have their share of areas to address, according to our recent study, Is the CFO really the best successor to the CEO? Well, it depends...

As a CEO, everything you do, everything you say, every move, every comment, has an impact. This is one of the reasons why the power of listening is so important."

> MARCO BERTACCA CEO OF QUORN FOODS

It's certainly fair to say that the spotlight on the CCSO differs hugely to the top job. "It's something that hits you the moment you become a

CEO and you realise that everybody is now looking at you, regardless of what is happening," said Alessandro Parimbelli, CEO of Coesia. "There is no place to hide."

It's a point echoed by Marco Bertacca. "It's the size of your shadow," he said. "Everything you do, everything you say, every move, every comment, has an impact. This is one of the reasons why the power of listening is so important. There is a risk for a CEO to come in and tell people what to do and what direction to go in. You now think you know it, but actually you don't: so ask more questions."

Vincent Wauters found that there was much to learn on the go, recalling his move from global operations leadership to brand leadership. "What was the least obvious was understanding the brand strategy, brand positioning and articulation piece,"

he said. "Everything was new. When you run supply chain you are not exposed to this."

Enrico Mistron faced a similar challenge. "My least developed leadership capabilities were primarily related to managing relationships with external stakeholders and public communication," he said. "I hadn't yet gained full experience in representing the company publicly or managing the expectations of investors, media, and other important external actors."



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VINCENT WAUTERS

We also heard that a key priority was getting to grips with having to lead the whole workforce — a step up even for a CSCO, it transpires. "When you are CSCO then most of the time you have more than half of employees reporting to you," a former CSCO-turned CEO told us. "The difference from moving from this 50% to 100% is that it's a much more diverse group so you cannot be as direct as you previously were. As CEO, you could be quoted any minute to the outside world so you need to be much more careful — so much so that you can lose a bit of your authenticity."

Surprises aplenty

When someone changes job there will likely be some surprises. It's inevitable. While thorough preparation and due diligence are vital, it's only by stepping into the role — any role — that someone will fully grasp what a new job entails. Those moving up from CSCO to CEO are no exception. Suddenly they are no longer a functional leader but someone who has to shape the company as a whole — there's question where the buck stops.

Hans Huistra says that marketing and stakeholder management emerged as key learning areas. "I realised that I'm more successful if I have a strong marketeer next to me," he said. "And managing all the external stakeholders is a different ball game to what you get exposed to through the supply chain."

Like many of his counterparts across numerous sectors, it was the loneliness of the role that surprised one of the CSCOs-turned-CEOs we spoke to. "You don't have peers, you are alone all the time," he said. "Everybody is looking at you for direction and decisions. A lot of mental strength and grit is needed to be successful."

Aldo Uva cites the sheer pressure for results as something that he hadn't anticipated. "Managing part of the value chain is not the same as managing the full value chain," he said. "Entering the CEO role with not enough experience on the commercial part can be a limiting factor."

Enrico Mistron says that he sought to turn areas where he had to learn the most to his advantage. "The areas where I needed to be present were paradoxically those where I had the least expertise," he said. "It would have been easier to hand over these responsibilities to a competent collaborator. Instead, I chose to do the opposite. If I am the leader and we want to make an impact, then I must be personally involved in those functional areas essential for achieving our goals."

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Learning by doing

As the dust settles on any new job, certain lessons will always emerge. It's those facts and insights that you wish you knew before starting the job — something that resonates for anyone who has gone from the comfort of the status quo into a new role adorned with different demands and responsibilities.

For CSCOs who then became CEO, certain key leadership traits have emerged from their time in the hot seat. What are their most critical capabilities based on their experiences in the top job? Enrico Mistron cites several.

"First and foremost, strategic vision is essential," he said. "Being able to define a clear direction for the company and inspire the team to follow you is fundamental. Effective communication and change management is equally vital. And empathy and the ability to build strong relationships are key to creating a positive, collaborative work environment that is the foundation of business success."

Vincent Wauters also pinpoints the importance of people and relationships. "I don't believe you can be successful if you are rigid and try to leverage the importance of your badge and force people to follow up," he said. "Followership and agility are key — you have to create these if you're to enable people and a brand."

For Marco Bertacca, much comes down to the ability to see the bigger picture. "The CEO role requires not just an understanding of the chain, but an element of the future direction, perspective and realisation of where you are," he said. It's a point that Gabrielle Kalkwijk agrees with. "You need analytical skills to see through the complexity," she said. "But you also need to get the right people together to define what's needed most and support them to grow in their roles."

Aldo Uva identifies the three Ps of People, Purpose and Profit. "Leading People is not the easiest task and so a CEO should always have the support of a great CHRO," he said. "Purpose is what moves people in the same direction. And Profit comes down to understanding how to generate value through each P&L line."

And Alessandro Parimbelli says that a lot hinges on the make-up of the company itself. "What's most critical is the ecosystem it is operating," he said. "I would say emotional intelligence and the ability to create a culture that puts customer and people at the centre of the organisation is vital."

Looking to the future

As the supply chain function grows in importance, we expect there will be more opportunities for highly capable and ambitious executives within the function to broaden their capabilities, skills sets and exposure to the business.

The issues facing supply chain leaders are bringing them closer to strategy development, commercial and operational decision-making, and the need to find growth through innovation. But where should they focus their attention? What critical skills, experiences and capabilities will enable them to be successful?

Here's our advice for the next generation...



Checklist for CSCOs: Ten Top Tips

1. Talk up your supply chain experience

Don't be shy about working in the supply chain function. Understand that your blend of cross-organisational knowledge and experience leaves you well positioned for a CEO role — perhaps more so than your peers from other functions.

2. Rotate your roles

Any CEO candidate is stronger for accumulating cross-functional knowledge. If you get the chance to work in areas such as commercial, finance or marketing — don't hesitate to take it.

3. Consider international options

Boards and nomination committees value CEO candidates who have had international exposure. Given that supply chains frequently traverse countless regions and borders, make the most of any opportunity to leave home and adapt to different cultures and points of view.

4. Sharpen your communication skills

Any CEO has to be an effective communicator. Look for ways to enhance your experience of communicating to different audiences in a variety of settings and seek out professional training if required.

5. Be clear about your CEO ambition

This is no time to be shy. Make it clear you want to be a CEO one day and always look for guidance and insights from the senior stakeholders you work with.

6. Consider specialising in sustainability

Supply chains are often ground zero for where organisations seek to hit their sustainability targets. Any CEO candidate with supply chain and sustainability experience will be very well placed for future career advances.

7. Understand it will be a big leap

While CSCOs will have accumulated extensive knowledge during their careers — as CEO they will inevitably encounter some surprises. A far brighter spotlight awaits.

8. Avoid the comfort zone

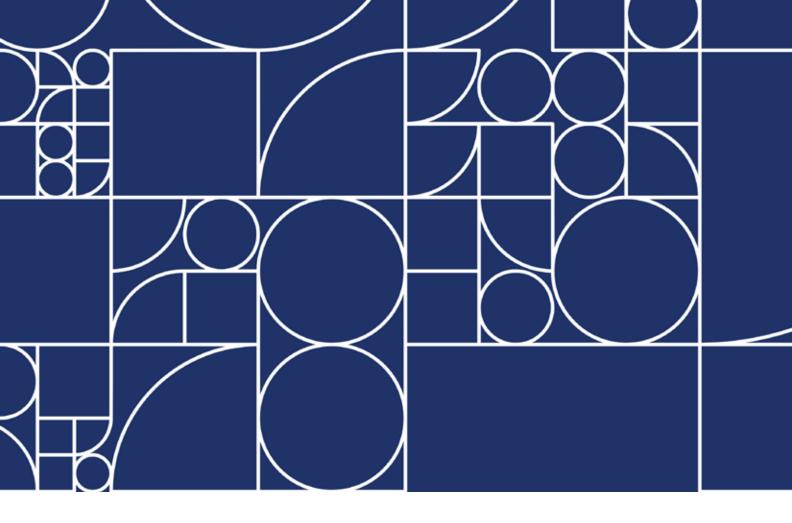
Growing your career sometimes means moving in an unusual or unexpected direction. Prioritise new skills and experiences over the solace of the status quo.

9. Lean into risk management

As a CSCO you understand risk and how to mange external variables — both vital traits for any CEO who has to know when to go for growth and when to opt for prudence.

10. The importance of integration

As your career in supply chain develops, look for those organisations which expose you to the whole business — don't work in roles which limit your interaction with other stakeholders and functions.



About Spencer Stuart

At Spencer Stuart, we know that leadership has never mattered more. We are trusted by organizations around the world to help them make the senior-level leadership decisions that have a lasting impact on their enterprises, on their stakeholders and the world around them. Through our executive search, board and leadership advisory services, we help build and enhance high-performing teams for select clients ranging from major multinationals to emerging companies to nonprofit institutions.

Privately held since 1956, we focus on delivering knowledge, insight and results through the collaborative efforts of a team of experts — now spanning more than 60 offices, over 30 countries and more than 50 practice specialties. Boards and leaders consistently turn to Spencer Stuart to help address their evolving leadership needs in areas such as senior-level executive search, board recruitment, board effectiveness, succession planning, in-depth senior management assessment, employee engagement and many other facets of culture and organizational effectiveness, particularly in the context of the changing stakeholder expectations of business today. For more information on Spencer Stuart, please visit <u>www.spencerstuart.com</u>.

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